



**KNYSNA**  
Municipality  
Munisipaliteit  
uMasipala

**Knysna Municipality**  
Annual Financial Statements  
for the year ended 30 June 2020

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## General Information

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| Mayoral committee      | Previous   | Current   |
|------------------------|--|---|
| Executive Mayor        | M Willemse   | EO van Aswegen  |
| Deputy Executive Mayor | A Tsengwa  | A Tsengwa   |
| Speaker                | TM Gombo   | TM Gombo  |
| Executive Councillor   | L Davis (Chairperson: Technical Services Committee)(to 21 May 2019) vacant as at 30 June 2019                                    | MD Skosana (Chairperson: Planning and Development Committee)        |
| Executive Councillor   | M Wasserman (Chairperson: Planning and Integrated Human Settlements)(from January 2019 to 20 May 2019) vacant as at 30 June 2019 | T Matika (Chairperson: Infrastructure Services Committee)           |
| Executive Councillor   | M Salaze (Chairperson: Community Services Committee)   | M Salaze (Chairperson: Community Services Committee)                |
| Executive Councillor   | P Myers (Chairperson: Finance Governance and Economic Development)   | CD Croutz (Chairperson: Financial and corporate services Committee) |

### Councillors

| Ward         | Current        |
|--------------|----------------|
| 1            | L Davis        |
| 2            | ACF Weideman   |
| 3            | MD Skosana     |
| 4            | S Ngqezu       |
| 5            | H Stroebel     |
| 6            | EO van Aswegen |
| 7            | MG Matiwane    |
| 8            | T Matika       |
| 9            | Vacant         |
| 10           | Vacant         |
| 11           | L Opperman     |
| Proportional | CD Croutz      |
| Proportional | SI Kwinana     |
| Proportional | MN Naki        |
| Proportional | MW Salaze      |
| Proportional | NA Tswenga     |
| Proportional | L Tyokolo      |
| Proportional | I Uys          |
| Proportional | GR Wolmarans   |
| Proportional | M Wasserman    |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## General Information

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|                             |   |
|-----------------------------|---|
| <b>Registered office</b>    | Civic Centre<br>Clyde Street<br>Knysna<br>6570  |
| <b>Postal address</b>       | PO Box 21<br>Knysna<br>6570   |
| <b>Bankers</b>              | Nedbank Corporate<br>P O Box 472 Knysna 6570  |
| <b>Auditors</b>             | Auditor-General of South Africa<br>Private Bag X96<br>Bellville<br>7535   |
| <b>Website</b>              | <a href="http://www.knysna.gov.za">www.knysna.gov.za</a>  |
| <b>Contact numbers</b>      | Tel: 044-302 6300<br>Fax: 044-302 6333  |
| <b>Jurisdiction</b>         | Greater Knysna areas which includes:<br>Knysna<br>Sedgefield<br>Rheenendal<br>Karatara<br>Brenton<br>Belvidere<br>Knoetzie  |
| <b>Relevant legislation</b> | Constitution of the Republic of South Africa (Act no 108 of 1996)<br>Municipal Finance Management Act (Act no 56 of 2003)<br>Division of Revenue Act<br>The Income Tax Act 58 of 1962<br>Value Added Tax Act 89 of 1991<br>Municipal Structures Act (Act no 117 of 1998)<br>Municipal Systems Act (Act no 32 of 2000)<br>Water Services Act (Act no 108 of 1997)<br>Housing Act (Act no 107 of 1997)<br>Municipal Property Rates Act (Act no 6 of 2004)<br>Electricity Act (Act no 41 of 1987)<br>Skills Development Levies Act (Act no 9 of 1999)<br>Employment Equity Act (Act no 55 of 1998)<br>Unemployment Insurance Act (Act no 30 of 1966)<br>Basic Conditions of Employment Act (Act no 75 of 1997) |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

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|       |   |
|-------|---|
| COID  | Compensation for Occupational Injuries and Diseases |
| CRR   | Capital Replacement Reserve                         |
| DBSA  | Development Bank of South Africa                    |
| GRAP  | Generally Recognised Accounting Practice            |
| GAMAP | Generally Accepted Municipal Accounting Practice    |
| HDF   | Housing Development Fund                            |
| IAS   | International Accounting Standards                  |
| IMFO  | Institute of Municipal Finance Officers             |
| IPSAS | International Public Sector Accounting Standards    |
| ME's  | Municipal Entities                                  |
| MEC   | Member of the Executive Council                     |
| MFMA  | Municipal Finance Management Act                    |
| MIG   | Municipal Infrastructure Grant (Previously CMIP)    |

## Accounting Officer's Responsibilities and Approval

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of financial affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (Act 56 of 2003) and Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Knysna Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 5 to 119, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed by:

  
**Dr L. Scheepers**  
**Acting Municipal Manager**

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Position as at 30 June 2020

|  | Note(s) | 2020<br>R            | 2019<br>R            |
|--|---------|----------------------|----------------------|
| <b>Assets</b>                              |         |                      |                      |
| <b>Current Assets</b>                      |         |                      |                      |
| Inventories                                | 3       | 8,132,442            | 10,290,526           |
| Construction contracts and receivables     | 22      | 20,080,154           | 16,384,629           |
| Receivables from exchange transactions     | 5       | 62,545,043           | 59,126,460           |
| Receivables from non-exchange transactions | 6       | 76,855,054           | 84,172,309           |
| VAT receivable                             | 8       | 20,963,690           | 19,744,003           |
| Prepayments                                |         | 745,909              | 2,739,496            |
| Unpaid grants and receipts                 | 9       | 14,212,889           | 14,391,295           |
| Cash and cash equivalents                  | 10      | 79,293,624           | 71,709,029           |
|  |         | <b>282,828,805</b>   | <b>278,557,747</b>   |
| <b>Non-Current Assets</b>                  |         |                      |                      |
| Long-term investments and receivables      | 4       | 10,814,218           | 34,498,131           |
| Investment property                        | 11      | 68,819,577           | 71,760,363           |
| Property, plant and equipment              | 12      | 1,240,538,391        | 1,127,334,509        |
| Intangible assets                          | 13      | 117,270              | 135,688              |
| Heritage assets                            | 14      | 17,435,046           | 17,435,046           |
| Operating lease asset                      | 15      | 2,187,570            | 2,060,278            |
|  |         | <b>1,339,912,072</b> | <b>1,253,224,015</b> |
| <b>Total Assets</b>                        |         | <b>1,622,740,877</b> | <b>1,531,781,762</b> |
| <b>Liabilities</b>                         |         |                      |                      |
| <b>Current Liabilities</b>                 |         |                      |                      |
| Unspent grants and receipts                | 9       | 8,839,801            | 28,626,718           |
| Long-term liabilities                      | 16      | 28,226,605           | 23,762,198           |
| Finance lease obligation                   | 17      | 4,301,927            | 905,263              |
| Payables from exchange transactions        | 18      | 139,768,126          | 115,981,779          |
| Consumer deposits                          | 19      | 13,163,571           | 12,924,361           |
| Employee benefit obligation                | 20      | 36,887,422           | 32,992,053           |
| Provisions                                 | 21      | 6,040,000            | 5,880,000            |
|  |         | <b>237,227,452</b>   | <b>221,072,372</b>   |
| <b>Non-Current Liabilities</b>             |         |                      |                      |
| Long-term liabilities                      | 16      | 216,054,162          | 173,816,114          |
| Finance lease obligation                   | 17      | 6,585,517            | 410,994              |
| Operating lease liability                  | 15      | -                    | 109,445              |
| Employee benefit obligation                | 20      | 96,021,697           | 101,441,582          |
| Provisions                                 | 21      | 10,824,028           | 11,300,012           |
|  |         | <b>329,485,404</b>   | <b>287,078,147</b>   |
| <b>Total Liabilities</b>                   |         | <b>566,712,856</b>   | <b>508,150,519</b>   |
| <b>Net Assets</b>                          |         | <b>1,056,028,021</b> | <b>1,023,631,243</b> |
| <b>Reserves</b>                            |         |                      |                      |
| Capital Replacement Reserve                |         | 45,500,000           | 45,500,000           |
| Accumulated surplus                        |         | 1,010,528,021        | 978,131,243          |
| <b>Total Net Assets</b>                    |         | <b>1,056,028,021</b> | <b>1,023,631,243</b> |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Performance

|   | Note(s) | 2020<br>R          | 2019<br>R          |
|---|---------|--------------------|--------------------|
| <b>Revenue</b>                                      |         |                    |                    |
| <b>Revenue from exchange transactions</b>           |         |                    |                    |
| Service charges                                     | 23      | 373,989,167        | 366,946,289        |
| Sales of goods and rendering of services            |         | 3,946,651          | 5,076,246          |
| Rental of facilities and equipment                  | 24      | 5,820,314          | 5,600,926          |
| Interest received - outstanding debtors             |         | 9,658,131          | 11,837,866         |
| Interest received - external investments            |         | 4,687,497          | 9,443,215          |
| Agency services                                     |         | 3,064,946          | 3,297,253          |
| Licences and permits                                |         | 1,194,339          | 1,586,556          |
| Third Party Payments (Insurance Claims)             |         | 664,186            | 4,005,366          |
| Operational revenue                                 | 25      | 3,511,680          | 1,574,080          |
| <b>Total revenue from exchange transactions</b>     |         | <b>406,536,911</b> | <b>409,367,797</b> |
| <b>Revenue from non-exchange transactions</b>       |         |                    |                    |
| <b>Taxation revenue</b>                             |         |                    |                    |
| Property rates                                      | 26      | 211,839,034        | 215,548,591        |
| <b>Transfer revenue</b>                             |         |                    |                    |
| Government grants and subsidies                     | 27      | 165,983,061        | 146,502,871        |
| Construction revenue                                | 22      | 62,913,747         | 40,647,529         |
| Fines, penalties and forfeits                       | 28      | 94,152,136         | 122,515,368        |
| Public contributions and donations                  | 29      | 131,328            | 1,214,566          |
| <b>Total revenue from non-exchange transactions</b> |         | <b>535,019,306</b> | <b>526,428,925</b> |
| <b>Total revenue</b>                                |         | <b>941,556,217</b> | <b>935,796,722</b> |
| <b>Expenditure</b>                                  |         |                    |                    |
| Employee related costs                              | 30      | 263,423,300        | 245,286,952        |
| Remuneration of councillors                         | 31      | 8,108,340          | 8,569,575          |
| Bad debts written off                               | 32      | 47,531,752         | 18,238,510         |
| Debt Impairment                                     | 33      | 74,942,152         | 117,797,141        |
| Depreciation and amortisation                       | 34      | 35,062,755         | 33,163,550         |
| Impairment of assets                                | 35      | (962,294)          | 260,370            |
| Finance costs                                       | 36      | 29,451,665         | 26,308,064         |
| Lease rentals on operating lease                    | 37      | 10,716,473         | 10,248,334         |
| Bulk purchases                                      | 38      | 188,257,343        | 169,553,269        |
| Contracted services                                 | 39      | 188,538,530        | 177,736,782        |
| Transfers and Subsidies                             | 40      | 2,411,972          | 4,151,165          |
| Inventory Consumed                                  | 41      | 40,617,434         | 43,089,810         |
| Operational costs                                   | 42      | 37,292,717         | 39,285,184         |
| <b>Total expenditure</b>                            |         | <b>925,392,139</b> | <b>893,688,706</b> |
| <b>Operating surplus</b>                            |         | <b>16,164,078</b>  | <b>42,108,016</b>  |
| Profit/(loss) on disposal of assets and liabilities |         | 313,527            | (4,098,141)        |
| Actuarial gains/(losses)                            | 20      | 14,732,271         | 9,508,014          |
| Inventories surplus (losses/write-downs)            |         | 1,186,891          | 366,836            |
|   |         | <b>16,232,689</b>  | <b>5,776,709</b>   |
| <b>Surplus for the year</b>                         |         | <b>32,396,767</b>  | <b>47,884,725</b>  |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Changes in Net Assets

|  | Capital<br>Replacement<br>Reserve<br>R | Accumulated<br>surplus<br>R | Total net<br>assets<br>R |
|--|--|-----------------------------|--------------------------|
| Opening balance as previously reported           | 40,500,000                             | 939,974,603                 | 980,474,603              |
| Adjustments                                      |  |                             |                          |
| Correction of errors - Refer to note 49          | -                                      | (4,728,085)                 | (4,728,085)              |
| <b>Balance at 01 July 2018 as restated*</b>      | <b>40,500,000</b>                      | <b>935,246,518</b>          | <b>975,746,518</b>       |
| Changes in net assets                            |  |                             |                          |
| Restated surplus for the year - Refer to note 49 | -                                      | 47,884,725                  | 47,884,725               |
| Transfer to / from Capital Replacement Reserve   | 5,000,000                              | (5,000,000)                 | -                        |
| Total changes                                    | 5,000,000                              | 42,884,725                  | 47,884,725               |
| <b>Balance at 01 July 2019</b>                   | <b>45,500,000</b>                      | <b>978,131,254</b>          | <b>1,023,631,254</b>     |
| Changes in net assets                            |  |                             |                          |
| Surplus for the year                             | -                                      | 32,396,767                  | 32,396,767               |
| Total changes                                    | -                                      | 32,396,767                  | 32,396,767               |
| <b>Balance at 30 June 2020</b>                   | <b>45,500,000</b>                      | <b>1,010,528,021</b>        | <b>1,056,028,021</b>     |
| Note(s)  |  |                             |                          |



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Cash Flow Statement

|   | Note(s) | 2020<br>R                   | 2019<br>R                   |
|---|---------|-----------------------------|-----------------------------|
| <b>Cash flows from operating activities</b>                 |         |                             |                             |
| <b>Receipts</b>   |         |                             |                             |
| Taxation and fines revenue                                  |         | 170,208,578                 | 222,975,881                 |
| Sale of goods and services                                  |         | 404,329,890                 | 344,421,115                 |
| Grants and conditional receipts                             |         | 146,374,551                 | 158,803,534                 |
| Interest income   |         | 4,687,497                   | 9,443,215                   |
| Construction contracts and receivables                      |         | 59,218,222                  | 34,823,791                  |
| Other income  |         | 14,949,272                  | 16,019,574                  |
|   |         | <u>799,768,010</u>          | <u>786,487,110</u>          |
| <b>Payments</b>   |         |                             |                             |
| Employee costs  |         | (267,885,087)               | (250,237,513)               |
| Suppliers   |         | (440,548,192)               | (420,176,164)               |
| Finance costs   |         | (18,734,623)                | (15,422,293)                |
|   |         | <u>(727,167,902)</u>        | <u>(685,835,970)</u>        |
| <b>Net cash flows from operating activities</b>             | 43      | <b><u>72,600,108</u></b>    | <b><u>100,651,140</u></b>   |
| <b>Cash flows from investing activities</b>                 |         |                             |                             |
| Purchase of property, plant and equipment                   | 12      | (136,359,346)               | (148,485,057)               |
| Proceeds from sale of Property, plant and equipment         | 12      | 3,672,221                   | 29,739                      |
| Movement in Long-term investments and receivables           | 4       | 23,683,913                  | (2,133,003)                 |
| <b>Net cash flows from investing activities</b>             |         | <b><u>(109,003,212)</u></b> | <b><u>(150,588,321)</u></b> |
| <b>Cash flows from financing activities</b>                 |         |                             |                             |
| Proceeds from long-term liabilities                         | 16      | 71,367,058                  | 60,238,000                  |
| Repayment of long-term liabilities                          |         | (24,664,603)                | (17,678,965)                |
| Finance lease payments                                      |         | (2,714,756)                 | (789,867)                   |
| <b>Net cash flows from financing activities</b>             |         | <b><u>43,987,699</u></b>    | <b><u>41,769,168</u></b>    |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |         | <b><u>7,584,595</u></b>     | <b><u>(8,168,013)</u></b>   |
| Cash and cash equivalents at the beginning of the year      |         | 71,709,029                  | 79,877,042                  |
| <b>Cash and cash equivalents at the end of the year</b>     | 10      | <b><u>79,293,624</u></b>    | <b><u>71,709,029</u></b>    |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved<br>budget   | Adjustments       | Final Budget         | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference                |
|--|----------------------|-------------------|----------------------|--|---|--------------------------|
|  | R                    | R                 | R                    | R  | R   |                          |
| <b>Statement of Financial Performance</b>                            |                      |                   |                      |  |   |                          |
| <b>Revenue</b>   |                      |                   |                      |  |   |                          |
| <b>Revenue by source</b>   |                      |                   |                      |  |   |                          |
| Property rates   | 228,833,000          | 446,200           | <b>229,279,200</b>   | 211,839,034                              | <b>(17,440,166)</b>                                 | Difference less than 10% |
| Service charges  | 438,612,000          | (11,052,597)      | <b>427,559,403</b>   | 373,989,167                              | <b>(53,570,236)</b>                                 | 58.1                     |
| Investment revenue   | 9,000,000            | (4,590,387)       | <b>4,409,613</b>     | 14,345,628                               | <b>9,936,015</b>                                    | 58.2                     |
| Transfers recognised - operational                                   | 167,300,000          | 6,733,000         | <b>174,033,000</b>   | 167,011,675                              | <b>(7,021,325)</b>                                  | Difference less than 10% |
| Other own revenue  | 123,766,000          | 30,252,000        | <b>154,018,000</b>   | 121,551,975                              | <b>(32,466,025)</b>                                 | 58.3                     |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>967,511,000</b>   | <b>21,788,216</b> | <b>989,299,216</b>   | <b>888,737,479</b>                       | <b>(100,561,737)</b>                                |                          |
| <b>Expenditure by type</b>   |                      |                   |                      |  |   |                          |
| Employee costs   | (290,474,268)        | 43,531,856        | <b>(246,942,412)</b> | (248,691,029)                            | <b>(1,748,617)</b>                                  | Difference less than 10% |
| Remuneration of councillors  | (9,981,800)          | (262,902)         | <b>(10,244,702)</b>  | (8,108,340)                              | <b>2,136,362</b>                                    | 58.4                     |
| Debt impairment  | (81,023,160)         | (53,784,294)      | <b>(134,807,454)</b> | (74,942,152)                             | <b>59,865,302</b>                                   | 58.5                     |
| Depreciation & asset impairment                                      | (33,423,800)         | -                 | <b>(33,423,800)</b>  | (34,100,461)                             | <b>(676,661)</b>                                    | Difference less than 10% |
| Finance costs  | (31,267,980)         | (12,243)          | <b>(31,280,223)</b>  | (29,451,665)                             | <b>1,828,558</b>                                    | Difference less than 10% |
| Materials and bulk purchases   | (222,509,000)        | (8,779,000)       | <b>(231,288,000)</b> | (228,874,777)                            | <b>2,413,223</b>                                    | Difference less than 10% |
| Transfers and grants   | (4,317,300)          | (1,763,725)       | <b>(6,081,025)</b>   | (2,411,972)                              | <b>3,669,053</b>                                    | 58.6                     |
| Contracted services  | (209,293,000)        | 11,222,000        | <b>(198,071,000)</b> | (188,538,530)                            | <b>9,532,470</b>                                    | Difference less than 10% |
| Other expenditure  | (82,620,000)         | 14,632,000        | <b>(67,988,000)</b>  | (103,106,918)                            | <b>(35,118,918)</b>                                 | 58.7                     |
| <b>Total expenditure</b>   | <b>(964,910,308)</b> | <b>4,783,692</b>  | <b>(960,126,616)</b> | <b>(918,225,844)</b>                     | <b>41,900,772</b>                                   |                          |
| <b>Surplus / (Deficit)</b>   | <b>2,600,692</b>     | <b>26,571,908</b> | <b>29,172,600</b>    | <b>(29,488,365)</b>                      | <b>(58,660,965)</b>                                 |                          |
| Transfers recognised - capital                                       | 50,129,000           | 20,593,167        | <b>70,722,167</b>    | 61,885,132                               | <b>(8,837,035)</b>                                  | 58.8                     |
| <b>Surplus after capital transfers &amp; contributions</b>           | <b>52,729,692</b>    | <b>47,165,075</b> | <b>99,894,767</b>    | <b>32,396,767</b>                        | <b>(67,498,000)</b>                                 |                          |
| <b>Surplus for the year</b>  | <b>52,729,692</b>    | <b>47,165,075</b> | <b>99,894,767</b>    | <b>32,396,767</b>                        | <b>(67,498,000)</b>                                 |                          |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved<br>budget   | Adjustments         | Final Budget         | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference                |
|--|----------------------|---------------------|----------------------|--|---|--------------------------|
|  | R                    | R                   | R                    | R  | R   |                          |
| <b>Statement of Financial Position</b>   |                      |                     |                      |  |   |                          |
| <b>Assets</b>                            |                      |                     |                      |  |   |                          |
| <b>Current Assets</b>                    |                      |                     |                      |  |   |                          |
| Cash                                     | 24,509,000           | (304,000)           | <b>24,205,000</b>    | 79,293,624                               | <b>55,088,624</b>                                   | 58.9                     |
| Consumer debtors                         | 51,436,000           | 77,797,000          | <b>129,233,000</b>   | 59,867,951                               | <b>(69,365,049)</b>                                 | 58.10                    |
| Other debtors                            | 120,019,000          | (60,026,000)        | <b>59,993,000</b>    | 135,534,788                              | <b>75,541,788</b>                                   | 58.11                    |
| Current portion of long-term receivables | -                    | 8,000               | <b>8,000</b>         | -  | <b>(8,000)</b>                                      | Difference below R 1mil  |
| Inventory                                | 6,201,000            | 2,865,000           | <b>9,066,000</b>     | 8,132,442                                | <b>(933,558)</b>                                    | Difference below R 1mil  |
|  | <b>202,165,000</b>   | <b>20,340,000</b>   | <b>222,505,000</b>   | <b>282,828,805</b>                       | <b>60,323,805</b>                                   |                          |
| <b>Non-Current Assets</b>                |                      |                     |                      |  |   |                          |
| Long-term receivables                    | 7,000                | 2,045,000           | <b>2,052,000</b>     | -  | <b>(2,052,000)</b>                                  | 58.12                    |
| Investments                              | -                    | 34,491,000          | <b>34,491,000</b>    | 10,814,218                               | <b>(23,676,782)</b>                                 | 58.13                    |
| Investment property                      | 76,915,000           | (160,000)           | <b>76,755,000</b>    | 68,819,577                               | <b>(7,935,423)</b>                                  | 58.14                    |
| Property, plant and equipment            | 1,368,262,000        | (84,937,000)        | <b>1,283,325,000</b> | 1,240,538,391                            | <b>(42,786,609)</b>                                 | Difference less than 10% |
| Intangible                               | 154,000              | (18,000)            | <b>136,000</b>       | 117,270                                  | <b>(18,730)</b>                                     | Difference below R 1mil  |
| Other non-current assets                 | 19,349,000           | (1,914,000)         | <b>17,435,000</b>    | 19,622,616                               | <b>2,187,616</b>                                    | 58.15                    |
|  | <b>1,464,687,000</b> | <b>(50,493,000)</b> | <b>1,414,194,000</b> | <b>1,339,912,072</b>                     | <b>(74,281,928)</b>                                 |                          |
| <b>Total Assets</b>                      | <b>1,666,852,000</b> | <b>(30,153,000)</b> | <b>1,636,699,000</b> | <b>1,622,740,877</b>                     | <b>(13,958,123)</b>                                 |                          |
| <b>Liabilities</b>                       |                      |                     |                      |  |   |                          |
| <b>Current Liabilities</b>               |                      |                     |                      |  |   |                          |
| Bank overdraft                           | -                    | 9,583,000           | <b>9,583,000</b>     | -  | <b>(9,583,000)</b>                                  | 58.16                    |
| Borrowing                                | 19,680,000           | 4,987,000           | <b>24,667,000</b>    | 32,528,532                               | <b>7,861,532</b>                                    | 58.17                    |
| Consumer deposits                        | 14,024,000           | (556,000)           | <b>13,468,000</b>    | 13,163,571                               | <b>(304,429)</b>                                    | Difference below R 1mil  |
| Trade and other payables                 | 108,552,000          | 6,346,000           | <b>114,898,000</b>   | 148,607,927                              | <b>33,709,927</b>                                   | 58.18                    |
| Provisions                               | 35,224,000           | 7,607,000           | <b>42,831,000</b>    | 42,927,422                               | <b>96,422</b>                                       | Difference below R 1mil  |
|  | <b>177,480,000</b>   | <b>27,967,000</b>   | <b>205,447,000</b>   | <b>237,227,452</b>                       | <b>31,780,452</b>                                   |                          |
| <b>Non-Current Liabilities</b>           |                      |                     |                      |  |   |                          |
| Borrowing                                | 238,462,000          | (26,772,000)        | <b>211,690,000</b>   | 222,639,679                              | <b>10,949,679</b>                                   | Difference less than 10% |
| Provisions                               | 134,074,000          | (18,703,000)        | <b>115,371,000</b>   | 106,845,725                              | <b>(8,525,275)</b>                                  | Difference less than 10% |
|  | <b>372,536,000</b>   | <b>(45,475,000)</b> | <b>327,061,000</b>   | <b>329,485,404</b>                       | <b>2,424,404</b>                                    |                          |
| <b>Total Liabilities</b>                 | <b>550,016,000</b>   | <b>(17,508,000)</b> | <b>532,508,000</b>   | <b>566,712,856</b>                       | <b>34,204,856</b>                                   |                          |
| <b>Net Assets</b>                        | <b>1,116,836,000</b> | <b>(12,645,000)</b> | <b>1,104,191,000</b> | <b>1,056,028,021</b>                     | <b>(48,162,979)</b>                                 |                          |
| <b>Community wealth/equity</b>           |                      |                     |                      |  |   |                          |
| Accumulated Surplus/(Deficit)            | 1,076,336,000        | (17,645,000)        | <b>1,058,691,000</b> | 1,010,528,021                            | <b>(48,162,979)</b>                                 | Difference less than 10% |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

### Budget on Accrual Basis

|                                      | Approved budget      | Adjustments         | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Reference                  |
|--------------------------------------|----------------------|---------------------|----------------------|------------------------------------|--|----------------------------|
|                                      | R                    | R                   | R                    | R                                  | R  |                            |
| Reserves                             | 40,500,000           | 5,000,000           | <b>45,500,000</b>    | 45,500,000                         |  | - Difference less than 10% |
| <b>Total community wealth/equity</b> | <b>1,116,836,000</b> | <b>(12,645,000)</b> | <b>1,104,191,000</b> | <b>1,056,028,021</b>               | <b>(48,162,979)</b>                        |                            |

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

|  |                    |                     |                    |                    |                      |                          |
|--|--------------------|---------------------|--------------------|--------------------|----------------------|--------------------------|
| Ratepayers and other   | 691,943,000        | (56,236,000)        | <b>635,707,000</b> | 589,487,740        | <b>(46,219,260)</b>  | Difference less than 10% |
| Government grants, conditional receipts and construction contracts | 217,429,000        | 33,041,000          | <b>250,470,000</b> | 205,592,773        | <b>(44,877,227)</b>  | 58.19                    |
| Interest   | 23,531,000         | (6,018,000)         | <b>17,513,000</b>  | 4,687,497          | <b>(12,825,503)</b>  | 58.20                    |
|  | <b>932,903,000</b> | <b>(29,213,000)</b> | <b>903,690,000</b> | <b>799,768,010</b> | <b>(103,921,990)</b> |                          |

##### Payments

|   |                      |                   |                      |                      |                     |                          |
|---|----------------------|-------------------|----------------------|----------------------|---------------------|--------------------------|
| Suppliers and employees                         | (803,063,000)        | 22,559,000        | <b>(780,504,000)</b> | (706,021,307)        | <b>74,482,693</b>   | Difference less than 10% |
| Finance charges                                 | (31,268,000)         | 9,858,000         | <b>(21,410,000)</b>  | (18,734,623)         | <b>2,675,377</b>    |                          |
| Transfers and Grants                            | (4,317,000)          | (2,280,000)       | <b>(6,597,000)</b>   | (2,411,972)          | <b>4,185,028</b>    |                          |
|   | <b>(838,648,000)</b> | <b>30,137,000</b> | <b>(808,511,000)</b> | <b>(727,167,902)</b> | <b>81,343,098</b>   |                          |
| <b>Net cash flows from operating activities</b> | <b>94,255,000</b>    | <b>924,000</b>    | <b>95,179,000</b>    | <b>72,600,108</b>    | <b>(22,578,892)</b> |                          |

#### Cash flows from investing activities

##### Receipts

|  |                  |                    |                  |                   |                   |       |
|--|------------------|--------------------|------------------|-------------------|-------------------|-------|
| Proceeds on disposal of assets                 | 6,000,000        | (4,022,000)        | <b>1,978,000</b> | 3,672,221         | <b>1,694,221</b>  | 58.21 |
| Decrease (increase) in non-current investments | -                | -                  | -                | 23,683,913        | <b>23,683,913</b> | 58.22 |
|  | <b>6,000,000</b> | <b>(4,022,000)</b> | <b>1,978,000</b> | <b>27,356,134</b> | <b>25,378,134</b> |       |

##### Payments

|   |                      |                   |                      |                      |                   |  |
|---|----------------------|-------------------|----------------------|----------------------|-------------------|--|
| Capital assets                                  | (200,798,000)        | 15,415,000        | <b>(185,383,000)</b> | (136,359,346)        | <b>49,023,654</b> |  |
| <b>Net cash flows from investing activities</b> | <b>(194,798,000)</b> | <b>11,393,000</b> | <b>(183,405,000)</b> | <b>(109,003,212)</b> | <b>74,401,788</b> |  |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|   | Approved<br>budget | Adjustments        | Final Budget        | Actual amounts<br>on comparable<br>basis | Difference<br>between final<br>budget and<br>actual | Reference               |
|---|--------------------|--------------------|---------------------|--|---|-------------------------|
|   | R                  | R                  | R                   | R  | R   |                         |
| <b>Cash flows from financing activities</b>             |                    |                    |                     |  |   |                         |
| <b>Receipts</b>   |                    |                    |                     |  |   |                         |
| Borrowing long term/refinancing                         | 71,367,000         | (9,610,000)        | <b>61,757,000</b>   | 71,367,058                               | <b>9,610,058</b>                                    | 58.23                   |
| Increase (decrease) in consumer deposits                | 844,000            | (300,000)          | <b>544,000</b>      | -  | <b>(544,000)</b>                                    | Difference below R 1mil |
|   | <b>72,211,000</b>  | <b>(9,910,000)</b> | <b>62,301,000</b>   | <b>71,367,058</b>                        | <b>9,066,058</b>                                    |                         |
| <b>Payments</b>   |                    |                    |                     |  |   |                         |
| Repayment of borrowing                                  | (24,397,000)       | -                  | <b>(24,397,000)</b> | (27,379,359)                             | <b>(2,982,359)</b>                                  | 58.24                   |
| <b>Net cash flows from financing activities</b>         | <b>47,814,000</b>  | <b>(9,910,000)</b> | <b>37,904,000</b>   | <b>43,987,699</b>                        | <b>6,083,699</b>                                    |                         |
| Net increase/(decrease) in cash held                    | (52,729,000)       | 2,407,000          | <b>(50,322,000)</b> | 7,584,595                                | <b>57,906,595</b>                                   |                         |
| Cash/cash equivalents at the year begin:                | 77,239,000         | 22,197,000         | <b>99,436,000</b>   | 71,709,029                               | <b>(27,726,971)</b>                                 |                         |
| <b>Cash and cash equivalents at the end of the year</b> | <b>24,510,000</b>  | <b>24,604,000</b>  | <b>49,114,000</b>   | <b>79,293,624</b>                        | <b>30,179,624</b>                                   |                         |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Appropriation Statement

|  | Original budget      | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments    | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget         | Actual outcome       | Unauthorised expenditure | Variance             | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------|---|----------------------|--|---|----------------------|----------------------|--------------------------|----------------------|-------------------------------------|--|
|  | R                    | R   | R                    | R  | R   | R                    | R                    | R                        | R                    | R                                   | R                                      |
| <b>2020</b>  |                      |   |                      |  |   |                      |                      |                          |                      |                                     |  |
| <b>Financial Performance</b>   |                      |   |                      |  |   |                      |                      |                          |                      |                                     |  |
| Property rates   | 228,833,000          | 446,200   | 229,279,200          | -  | -   | 229,279,200          | 211,839,034          |                          | (17,440,166)         | 92 %                                | 93 %                                   |
| Service charges  | 438,612,000          | (11,052,597)  | 427,559,403          | -  | -   | 427,559,403          | 373,989,167          |                          | (53,570,236)         | 87 %                                | 85 %                                   |
| Investment revenue   | 9,000,000            | (4,590,387)   | 4,409,613            | -  | -   | 4,409,613            | 14,345,628           |                          | 9,936,015            | 325 %                               | 159 %                                  |
| Transfers  | 167,300,000          | 6,733,000   | 174,033,000          | -  | -   | 174,033,000          | 104,097,929          |                          | (69,935,071)         | 60 %                                | 62 %                                   |
| recognised - operational   |                      |   |                      |  |   |                      |                      |                          |                      |                                     |  |
| Other own revenue  | 123,766,000          | 30,252,000  | 154,018,000          | -  | -   | 154,018,000          | 184,465,721          |                          | 30,447,721           | 120 %                               | 149 %                                  |
| <b>Total revenue (excluding capital transfers and contributions)</b> | <b>967,511,000</b>   | <b>21,788,216</b>                                   | <b>989,299,216</b>   | -  | -   | <b>989,299,216</b>   | <b>888,737,479</b>   |                          | <b>(100,561,737)</b> | <b>90 %</b>                         | <b>92 %</b>                            |
| Employee costs   | (290,474,268)        | 43,531,856  | (246,942,412)        | -  | -   | (246,942,412)        | (248,691,029)        | (1,748,617)              | (1,748,617)          | 101 %                               | 86 %                                   |
| Remuneration of councillors  | (9,981,800)          | (262,902)   | (10,244,702)         | -  | -   | (10,244,702)         | (8,108,340)          | -                        | 2,136,362            | 79 %                                | 81 %                                   |
| Debt impairment  | (81,023,160)         | (53,784,294)  | (134,807,454)        |  |   | (134,807,454)        | (74,942,152)         |                          | 59,865,302           | 56 %                                | 92 %                                   |
| Depreciation and asset impairment                                    | (33,423,800)         | -   | (33,423,800)         |  |   | (33,423,800)         | (34,100,461)         | (676,661)                | (676,661)            | 102 %                               | 102 %                                  |
| Finance charges  | (31,267,980)         | (12,243)  | (31,280,223)         | -  | -   | (31,280,223)         | (29,451,665)         | -                        | 1,828,558            | 94 %                                | 94 %                                   |
| Materials and bulk purchases   | (222,509,000)        | (8,779,000)   | (231,288,000)        | -  | -   | (231,288,000)        | (228,874,777)        | -                        | 2,413,223            | 99 %                                | 103 %                                  |
| Transfers and grants   | (4,317,300)          | (1,763,725)   | (6,081,025)          | -  | -   | (6,081,025)          | (2,411,972)          | -                        | 3,669,053            | 40 %                                | 56 %                                   |
| Other expenditure  | (291,913,000)        | 25,854,000  | (266,059,000)        | -  | -   | (266,059,000)        | (291,645,448)        | (25,586,448)             | (25,586,448)         | 110 %                               | 100 %                                  |
| <b>Total expenditure</b>   | <b>(964,910,308)</b> | <b>4,783,692</b>                                    | <b>(960,126,616)</b> | -  | -   | <b>(960,126,616)</b> | <b>(918,225,844)</b> | <b>(28,011,726)</b>      | <b>41,900,772</b>    | <b>96 %</b>                         | <b>95 %</b>                            |
| <b>Surplus/(Deficit)</b>   | <b>2,600,692</b>     | <b>26,571,908</b>                                   | <b>29,172,600</b>    | -  | -   | <b>29,172,600</b>    | <b>(29,488,365)</b>  |                          | <b>(58,660,965)</b>  | <b>(101)%</b>                       | <b>(1,134)%</b>                        |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Appropriation Statement

|   | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) |            | Final adjustments budget |   | Shifting of funds (i.t.o. s31 of the MFMA) |   | Virement (i.t.o. council approved policy) |   | Final budget |             | Actual outcome |         | Unauthorised expenditure |   | Variance |   | Actual outcome as % of final budget |   | Actual outcome as % of original budget |  |
|---|-----------------|---|------------|--------------------------|---|--|---|---|---|--------------|-------------|----------------|---------|--------------------------|---|----------|---|-------------------------------------|---|--|--|
|   |                 | R   | R          | R                        | R | R  | R | R   | R | R            | R           | R              | R       | R                        | R | R        | R | R                                   | R | R                                      |  |
| Transfers recognised - capital                              | 50,129,000      | 20,593,167  | 70,722,167 | -                        | - | -  | - | -   | - | 70,722,167   | 61,885,132  | (8,837,035)    | 88 %    | 123 %                    |   |          |   |                                     |   |  |  |
| Surplus (Deficit) after capital transfers and contributions | 52,729,692      | 47,165,075  | 99,894,767 | -                        | - | -  | - | -   | - | 99,894,767   | 32,396,767  | (67,498,000)   | 32 %    | 61 %                     |   |          |   |                                     |   |  |  |
| Surplus/(Deficit) for the year                              | 52,729,692      | 47,165,075  | 99,894,767 | -                        | - | -  | - | -   | - | 99,894,767   | 32,396,767  | (67,498,000)   | 32 %    | 61 %                     |   |          |   |                                     |   |  |  |
| Capital expenditure and funds sources                       |                 |   |            |                          |   |  |   |   |   |              |             |                |         |                          |   |          |   |                                     |   |  |  |
| Total capital expenditure                                   | 186,209,292     | (186,209,292)                                       | -          | -                        | - | -  | - | -   | - | -            | 149,666,159 | 149,666,159    | DIV/0 % | 80 %                     |   |          |   |                                     |   |  |  |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Appropriation Statement

|  | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget  | Actual outcome | Unauthorised expenditure | Variance     | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|-----------------|---|--------------------------|--|---|---------------|----------------|--------------------------|--------------|-------------------------------------|--|
|  | R               | R   | R                        | R  | R   | R             | R              | R                        | R            | R                                   | R                                      |
| Cash flows   |                 |   |                          |  |   |               |                |                          |              |                                     |  |
| Net cash from (used) operating                         | 94,255,000      | 924,000   | 95,179,000               | -  | -   | 95,179,000    | 72,600,108     |                          | (22,578,892) | 76 %                                | 77 %                                   |
| Net cash from (used) investing                         | (194,798,000)   | 11,393,000  | (183,405,000)            | -  | -   | (183,405,000) | (109,003,212)  |                          | 74,401,788   | 59 %                                | 56 %                                   |
| Net cash from (used) financing                         | 47,814,000      | (9,910,000)   | 37,904,000               | -  | -   | 37,904,000    | 43,987,699     |                          | 6,083,699    | 116 %                               | 92 %                                   |
| Net increase/(decrease) in cash and cash equivalents   | (52,729,000)    | 2,407,000   | (50,322,000)             | -  | -   | (50,322,000)  | 7,584,595      |                          | 57,906,595   | (15)%                               | (14)%                                  |
| Cash and cash equivalents at the beginning of the year | 101,959,002     | (56,473,083)  | 45,485,919               | -  | -   | 45,485,919    | 71,709,029     |                          | 26,223,110   | 158 %                               | 70 %                                   |
| Cash and cash equivalents at year end                  | 49,230,002      | (54,066,083)  | (4,836,081)              | -  | -   | (4,836,081)   | 79,293,624     |                          | 84,129,705   | (1,640)%                            | 161 %                                  |



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and are rounded to the nearest South African Rand.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not necessarily correlate with the external auditor's materiality.

#### 1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements in conformity with GRAP, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### **Impairment of receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides were used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

#### Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

#### Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

#### Post-retirement medical obligations, long service awards and ex-gratia pension benefits

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

## Accounting Policies

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### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### Provisions

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material. Additional disclosure of these estimates of provisions and contingent liabilities are included in note 21 - Provisions and note 46 - Contingencies.

#### Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers are utilised annually to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates linked to appropriate government bond rates were used to calculate the effect of time value of money.

#### Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

#### IGRAP 18 Recognition and Derecognition of land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follows (IGRAP 18 par 40):

Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use the land and also by the right to direct access to the land, and to restrict or deny access of other to the land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follows (IGRAP 18 par 41):

Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the entity. The municipality does not have the ability to use, or direct others to use the land. The municipality does not have right to direct access to the land, and to restrict or deny access of other to the land. There are various housing scheme land where the municipality are still the legal owner per the deeds office, but control and substantive rights were transferred. These land are not recognised by the municipality.

### 1.5 Investment property

#### Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost of the investment property can be measured reliably.

# Knysna Municipality

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## Accounting Policies

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### 1.5 Investment property (continued)

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use.

# Knysna Municipality

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## Accounting Policies

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### 1.5 Investment property (continued)

#### Subsequent Measurement - Cost model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

| Item                 | Useful life |
|----------------------|-------------|
| Property - land      | indefinite  |
| Property - buildings | 100 years   |

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (refer to note 11).

Investment property is not used as security unless stated otherwise in the notes.

### 1.6 Property, plant and equipment

#### Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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## Accounting Policies

### 1.6 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### Subsequent Measurement - Cost Model

Subsequent to initial recognition, items of Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item   | Depreciation method | Average useful life |
|--|---------------------|---------------------|
| Land   | None                | Indefinite          |
| Buildings  | Straight line       | 100 years           |
| Infrastructure - Sewerage                        | Straight line       | 10 - 100 years      |
| Infrastructure - Electricity                     | Straight line       | 10 - 100 years      |
| Infrastructure - Water                           | Straight line       | 10 - 182 years      |
| Infrastructure - Roads                           | Straight line       | 10 - 102 years      |
| Infrastructure - Security measures               | Straight line       | 5 - 80 years        |
| Community asset                                  | Straight line       | 5 - 100 years       |
| Leased assets                                    | Straight line       | 2 - 6 years         |
| Other assets - Bins and containers               | Straight line       | 15 years            |
| Other assets - Other                             | Straight line       | 3 - 100 years       |
| Other assets - Office Equipment                  | Straight line       | 2 - 35 years        |
| Other assets - Vehicles and specialised vehicles | Straight line       | 7 - 50 years        |

The residual value, and the useful life and depreciation method of each asset are assessed based on the occurrence of certain indicators. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in the Statement of Financial Performance unless it is included in the carrying amount of another asset.

Property, plant and equipment are reviewed for any indication of impairment. If any such indication exists, the accounting policy as disclosed under 1.15 or 1.16 (which ever is relevant) is applied.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.6 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the Statement of Financial Performance when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.7 Intangible assets

#### Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

#### Subsequent Measurement - Cost model

Intangible assets are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### Amortisation

Amortisation is charged so as to write-off the cost of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are assessed based on the occurrence of certain indicators, with the effect of any changes in estimate accounted for on a prospective basis.

The annual amortisation rates are based on the following estimated useful lives:

| Item                          | Useful life |
|-------------------------------|-------------|
| Computer software and website | 5-10 years  |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.7 Intangible assets (continued)

#### Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (refer to note 14).

#### Initial recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost of the asset can be measured reliably.

#### Initial measurement

Heritage assets are initially measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement - Cost model

After recognition as an asset, a class of heritage assets is carried at cost less any accumulated impairment losses.

Heritage assets are not depreciated.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.9 Financial instruments

Financial instruments recognised on the Statement of Financial Position include receivables, cash and cash equivalents, annuity loans and payables and non-current investments.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class                                  | Category                                   |
|--|--|
| Long-term investments and receivables  | Financial asset measured at amortised cost |
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Cash and cash equivalents              | Financial asset measured at amortised cost |

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class   | Category                                       |
|---|--|
| Long-term liabilities                               | Financial liability measured at amortised cost |
| Trade and other payables from exchange transactions | Financial liability measured at amortised cost |

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, are subject to an impairment review.

#### Receivables

Receivables are classified as financial assets at amortised cost, and are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

For amounts due from receivable carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant at the end of each reporting period. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

## Accounting Policies

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### 1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in surplus or deficit. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is recognised in the surplus or deficit.

The present value of the estimated future cash flows is discounted at the original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the original effective interest rate.

#### Payables and long term liabilities

Financial liabilities consist of payables and long term liabilities. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### Cash and cash equivalents

Cash and Cash Equivalents are initially measured at fair value. Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

#### Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

#### Gains and losses

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Derecognition

##### Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Financial liabilities

A financial liability (or a part of a financial liability) is derecognised from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance note 1.25

#### Offsetting of financial instruments

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.10 Statutory receivables

#### Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

#### Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

#### Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

#### Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

# Knysna Municipality

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### 1.10 Statutory receivables (continued)

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

#### Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

### 1.11 Taxes - Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

From 1 April 2018 value added tax is levied at the standard rate of 15% on the supply of goods and services.

Value added tax is recognised on the payments basis.

### 1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined revenue and actual payments received will give rise to an asset or liability.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

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## Accounting Policies

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### 1.12 Leases (continued)

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

### 1.13 Inventories

#### Initial measurement

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

#### Subsequent measurement

Inventories, consisting of consumable stores, maintenance materials and water are subsequently measured at the lower of cost and net realisable value.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

### 1.14 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

## Accounting Policies

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### 1.14 Construction contracts and receivables (continued)

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

### 1.15 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

## Accounting Policies

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### 1.15 Impairment of cash-generating assets (continued)

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

#### (a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

#### (b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

## Accounting Policies

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### 1.15 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.16 Impairment of non-cash-generating assets

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

#### (a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

#### (b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.



## Accounting Policies

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### 1.16 Impairment of non-cash-generating assets (continued)

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approaches, depending on the nature of the asset in question:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

### 1.17 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

## Accounting Policies

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### 1.18 Employee benefits

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by employees.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Long service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs.

#### Accrual for staff leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.18 Employee benefits (continued)

#### Staff bonuses accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

#### Provision for performance bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. The Municipality's performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

#### Post-retirement medical obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### Ex gratia gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

#### Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable.

## Accounting Policies

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### 1.18 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

### 1.19 Unspent grants and receipts

Conditional grants and receipts are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

A liability for unspent conditional grants and receipts is recognised only to the extent that the conditions attached to the grant have not been satisfied and are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

Unspent conditional grants and receipts are not considered to be financial instruments as there are no amount to be settled through cash or another financial instrument as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be asset-backed. The following provisions are set for the creation and utilisation of this liability:

- Unspent conditional grants are recognised as a liability when the grant is received.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.19 Unspent grants and receipts (continued)

- When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the liability is invested as individual investment or part of the operating account of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.20 Unpaid grants and receipts

Unpaid conditional grants are assets in terms of GRAP that are separately reflected on the Statement of Financial Position. The asset is recognised when the municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

### 1.21 Provisions and contingencies

#### Provisions

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an finance cost.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for deficits arising from future operating activities.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.21 Provisions and contingencies (continued)

#### Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable. Contingencies are disclosed in note 46.

Management judgement is required when recognising and measuring contingent liabilities.

### 1.22 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### 1.23 Internal reserves

#### Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

### 1.24 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would give rise to an impairment of the receivable and a separate expense to be recognised.

#### Measurement

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.24 Revenue from exchange transactions (continued)

#### Service charges

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created based on past patterns. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

#### Pre-paid electricity

Revenue from the sale of electricity prepaid meter cards is initially recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. Subsequently, the pre-paid electricity sold, but not consumed yet at year-end is disclosed under Payables from Exchange Transactions in the Statement of Financial Position in order to only recognise pre-paid electricity consumed.

#### Interest earned

Interest revenue is recognised in surplus and deficit as it accrues, using the effective interest rate method.

#### Rentals received

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

#### Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

#### Agency services

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

#### Third party payments

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and it is probable that inflow will occur and it is not being offset against the related expenses of repairs or renewals of the impaired assets.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.24 Revenue from exchange transactions (continued)

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.25 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rates are levied monthly and payable by the last day of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly instalments.

#### Fines

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the offence occurs to the extent that the municipality expects legal entitlement.

#### Public donations and contributions

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.25 Revenue from non-exchange transactions (continued)

#### Revenue from recovery of unauthorised, irregular and fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### Unconditional grants

Grants without any conditions attached are recognised as revenue when the grant is receivable.

#### Conditional grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

The liability is transferred to revenue as and when the conditions attached to the grant are met.

#### Other receipts

All unclaimed deposits are initially recognised as a liability. After 12 months all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

### 1.26 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.27 Accounting by principals and agents

#### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

#### Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

## Accounting Policies

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### 1.27 Accounting by principals and agents (continued)

#### Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

#### Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.28 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.29 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.30 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case reasons therefore must be provided in the notes.

Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written-off as irrecoverable.

### 1.31 Budget information

The Municipality is subject to budgetary limits in the form of a council approved budget, which is given effect through authorising legislation.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2019/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Explanations for material variances between the final budget amounts and comparable actual amounts are included the Notes to the Financial Statements. Material variances are being defined by Management as 10% of a specific line-item with a minimum threshold of R1 million.

Explanations for variances between the approved and final budget are included in the Notes to the Financial Statements as well as the Statements of Comparison of Budget and Actual Amounts.

### 1.32 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

The Municipality previously resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or entity:

- with the ability to control or jointly control the other party;
- or exercise significant influence over the other party in making financial and operating decisions;
- or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

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### 1.32 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that members of management in their dealings with the municipality.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

### 1.33 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

| Standard/ Interpretation:  | Effective date:<br>Years beginning on or after |
|--|--|
| • GRAP 20: Related parties   | 01 April 2019                                  |
| • GRAP 32: Service Concession Arrangements: Grantor  | 01 April 2019                                  |
| • GRAP 108: Statutory Receivables  | 01 April 2019                                  |
| • GRAP 109: Accounting by Principals and Agents  | 01 April 2019                                  |
| • IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset | 01 April 2019                                  |
| • IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land                      | 01 April 2019                                  |
| • IGRAP 19: Liabilities to Pay Levies  | 01 April 2019                                  |

Please refer to note 48 for the effect of the new standards and interpretations effective and adopted in the current year

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

| Standard/ Interpretation:  | Effective date:<br>Years beginning on or after |
|--|--|
| • Guideline: Guideline on Accounting for Landfill Sites                          | Unknown  |
| • Guideline: Guideline on the Application of Materiality to Financial Statements | Unknown  |
| • IGRAP 20: Accounting for Adjustments to Revenue                                | 01 April 2020                                  |
| • GRAP 34: Separate Financial Statements   | 01 April 2020                                  |
| • GRAP 35: Consolidated Financial Statements                                     | 01 April 2020                                  |
| • GRAP 36: Investments in Associates and Joint Ventures                          | 01 April 2020                                  |
| • GRAP 37: Joint Arrangements  | 01 April 2020                                  |
| • GRAP 38: Disclosure of Interests in Other Entities                             | 01 April 2020                                  |
| • GRAP 110 (as amended 2016): Living and Non-living Resources                    | 01 April 2020                                  |
| • GRAP 18 (as amended 2016): Segment Reporting                                   | 01 April 2020                                  |

The impact of the new standards and interpretations issued, but not yet effective is currently being assessed.

### 3. Inventories

|                        |                  |                   |
|------------------------|------------------|-------------------|
| Consumable stores      | 2,000,335        | 1,808,950         |
| Maintenance materials  | 4,964,493        | 7,578,046         |
| Water for distribution | 1,167,614        | 903,530           |
|                        | <b>8,132,442</b> | <b>10,290,526</b> |

|   |         |        |
|---|---------|--------|
| Dormant and slow moving stock at year-end | 192,928 | 55,817 |
|---|---------|--------|

|   |            |            |
|---|------------|------------|
| Inventories recognised as an expense during the year                            | 40,617,434 | 43,089,810 |
| Consumable stores materials surpluses identified during the annual stores count | 13,740     | 448,834    |

#### Inventory pledged as security

No inventory assets were pledged as security for liabilities.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R         | 2019<br>R         |
|---|-------------------|-------------------|
| <b>4. Long-term investments and receivables</b>   |                   |                   |
| <b>At amortised cost</b>  |                   |                   |
| Fixed Deposits  | 10,807,418        | 34,491,331        |
| Staff Housing Loans   | 3,866             | 3,866             |
| Old Age Homes / Creche  | 426,245           | 426,245           |
| Sundry deposits   | 6,800             | 6,800             |
| Eastford Ridge Public Contributions   | 4,386             | 4,386             |
|   | <u>11,248,715</u> | <u>34,932,628</u> |
| Impairments   | (434,497)         | (434,497)         |
|   | <b>10,814,218</b> | <b>34,498,131</b> |
| <b>Non-current assets</b>   |                   |                   |
| At amortised cost   | 10,814,218        | 34,498,131        |
| <b>Fixed Deposits</b>   |                   |                   |
| Included in Non-Current Investments is the Investec Fixed Deposit (Acc 021941500) of R 10,807,418 (2019: R 34,491,331) which have been pledged to DBSA as guarantees on external loans taken up. Refer to note 16. These loans are non-current and consequently it is highly unlikely that the Investment will be redeemable in the following financial year.                           |                   |                   |
| Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.  |                   |                   |
| <b>Staff Housing Loans</b>  |                   |                   |
| Staff housing loans are no longer granted. The outstanding amount relates to prior years and is impaired.   |                   |                   |
| <b>Old Age Homes / Creche</b>   |                   |                   |
| New loans are not granted to organisations. The loans are repayable over periods up to forty years at a rate of 1% per annum, with the last loan redeemable in 2032.  |                   |                   |
| <b>Eastford Ridge Public Contributions</b>  |                   |                   |
| The Home Owners Associations in Eastford agreed with the municipality to contribute an amount towards the cost of building a new road to their developments. The asset vests in the municipality. The agreement provides for a total cost to be contributed by the Associations over a period of maximum 3 years. The amounts stated above represents the balance of the contributions. |                   |                   |
| <b>Financial assets at amortised cost impaired</b>  |                   |                   |
| The allowance for impairment on financial assets exists due to the possibility that not all these debts will be recovered. Financial assets and amortised cost were assessed individually and grouped together at the Statement of Financial position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.                       |                   |                   |
| As of 30 June 2020, financial assets of R 434,497 (2019: R 434,497) were impaired and provided for.   |                   |                   |
| <b>Reconciliation of provision for impairment of financial assets at amortised cost</b>   |                   |                   |
| Opening balance   | <u>434,497</u>    | <u>434,497</u>    |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R            | 2019<br>R            |
|--|----------------------|----------------------|
| <b>5. Receivables from exchange transactions</b> |                      |                      |
| <b>Gross balances</b>                            |                      |                      |
| Electricity                                      | 45,073,901           | 41,377,385           |
| Water  | 31,543,594           | 69,863,145           |
| Sewerage   | 44,723,169           | 36,798,697           |
| Refuse   | 39,636,121           | 33,621,304           |
| Housing rental                                   | 7,287,690            | 6,961,093            |
| Other (Sundry amounts)                           | 13,413,498           | 7,700,968            |
|  | <b>181,677,973</b>   | <b>196,322,592</b>   |
| <b>Less: Allowance for impairment</b>            |                      |                      |
| Electricity                                      | (12,893,168)         | (7,432,808)          |
| Water  | (16,111,309)         | (56,239,141)         |
| Sewerage   | (38,763,712)         | (31,457,539)         |
| Refuse   | (34,125,564)         | (29,483,506)         |
| Housing rental                                   | (6,502,771)          | (5,832,622)          |
| Other (Sundry amounts)                           | (10,736,406)         | (6,750,516)          |
|  | <b>(119,132,930)</b> | <b>(137,196,132)</b> |
| <b>Net balance</b>                               |                      |                      |
| Electricity                                      | 32,180,733           | 33,944,577           |
| Water  | 15,432,285           | 13,624,004           |
| Sewerage   | 5,959,457            | 5,341,158            |
| Refuse   | 5,510,557            | 4,137,798            |
| Housing rental                                   | 784,919              | 1,128,471            |
| Other (Sundry amounts)                           | 2,677,092            | 950,452              |
|  | <b>62,545,043</b>    | <b>59,126,460</b>    |
| <b>Electricity</b>                               |                      |                      |
| Current (0 -30 days)                             | 25,582,506           | 25,019,214           |
| 31 - 60 days                                     | 2,131,593            | 3,476,285            |
| 61 - 90 days                                     | 1,426,538            | 1,293,352            |
| 91+ days   | 15,933,264           | 11,588,534           |
| Allowance for impairment                         | (12,893,168)         | (7,432,808)          |
|  | <b>32,180,733</b>    | <b>33,944,577</b>    |
| <b>Water</b>                                     |                      |                      |
| Current (0 -30 days)                             | 10,355,259           | 9,978,493            |
| 31 - 60 days                                     | 1,585,425            | 3,254,682            |
| 61 - 90 days                                     | 1,284,902            | 2,200,330            |
| 91+ days   | 18,318,008           | 54,429,640           |
| Allowance for impairment                         | (16,111,309)         | (56,239,141)         |
|  | <b>15,432,285</b>    | <b>13,624,004</b>    |
| <b>Sewerage</b>                                  |                      |                      |
| Current (0 -30 days)                             | 1,955,810            | 2,219,352            |
| 31 - 60 days                                     | 883,074              | 975,951              |
| 61 - 90 days                                     | 739,398              | 851,516              |
| 91+ days   | 41,144,887           | 32,751,878           |
| Allowance for impairment                         | (38,763,712)         | (31,457,539)         |
|  | <b>5,959,457</b>     | <b>5,341,158</b>     |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R         | 2019<br>R         |
|--|-------------------|-------------------|
| <b>5. Receivables from exchange transactions (continued)</b> |                   |                   |
| <b>Refuse</b>  |                   |                   |
| Current (0 -30 days)   | 1,782,480         | 1,779,439         |
| 31 - 60 days   | 918,460           | 722,230           |
| 61 - 90 days   | 642,986           | 598,785           |
| 91+ days   | 36,292,195        | 30,520,850        |
| Allowance for impairment                                     | (34,125,564)      | (29,483,506)      |
|  | <b>5,510,557</b>  | <b>4,137,798</b>  |
| <b>Housing rental</b>  |                   |                   |
| Current (0 -30 days)   | 306,321           | 428,500           |
| 31 - 60 days   | 243,932           | 71,468            |
| 61 - 90 days   | 183,119           | 59,797            |
| 91+ days   | 6,554,318         | 6,401,328         |
| Allowance for impairment                                     | (6,502,771)       | (5,832,622)       |
|  | <b>784,919</b>    | <b>1,128,471</b>  |
| <b>Other (sundry amounts)</b>                                |                   |                   |
| Current (0 -30 days)   | 3,987,297         | 543,180           |
| 31 - 60 days   | 632,611           | 191,490           |
| 61 - 90 days   | 269,613           | 103,002           |
| 91+ days   | 8,523,977         | 6,863,296         |
| Allowance for impairment                                     | (10,736,406)      | (6,750,516)       |
|  | <b>2,677,092</b>  | <b>950,452</b>    |
| <b>Total</b>   |                   |                   |
| Current (0 -30 days)   | 43,969,673        | 39,968,178        |
| 31 - 60 days   | 6,395,095         | 8,692,106         |
| 61 - 90 days   | 4,546,556         | 5,106,782         |
| 91+ days   | 126,766,649       | 142,555,526       |
| Allowance for impairment                                     | (119,132,930)     | (137,196,132)     |
|  | <b>62,545,043</b> | <b>59,126,460</b> |

### Summary of debtors by customer classification

|                                | Residential,<br>Industrial &<br>Commercial | Other debtors  | National and<br>Provincial<br>Government | Total             |
|--------------------------------|--|----------------|--|-------------------|
| <b>30 June 2020</b>            |  |                |  |                   |
| Total receivables              | 176,504,932                                | 2,769,117      | 2,403,927                                | 181,677,976       |
| Less: Allowance for impairment | (117,078,905)                              | (2,054,025)    | -  | (119,132,930)     |
|                                | <b>59,426,027</b>                          | <b>715,092</b> | <b>2,403,927</b>                         | <b>62,545,046</b> |
| <b>30 June 2019</b>            |  |                |  |                   |
| Total receivables              | 190,527,713                                | 2,667,697      | 3,127,182                                | 196,322,592       |
| Less: Allowance for impairment | (135,476,972)                              | (1,719,160)    | -  | (137,196,132)     |
|                                | <b>55,050,741</b>                          | <b>948,537</b> | <b>3,127,182</b>                         | <b>59,126,460</b> |



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R            | 2019<br>R            |
|--|----------------------|----------------------|
| <b>5. Receivables from exchange transactions (continued)</b>   |                      |                      |
| <b>Credit quality of receivables from exchange transactions</b>  |                      |                      |
| Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation.  |                      |                      |
| Concentrations of credit risk with respect to trade receivables are limited due to the customer base being large and unrelated. The municipality's historical experience in collection of receivables transactions falls within recorded allowances. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts. |                      |                      |
| <b>Receivables from exchange transactions past due but not impaired</b>  |                      |                      |
| All services are payable within 30 days from the invoice date. At 30 June 2020, R 16,453,759 (2019: R 17,685,452) were past due but not impaired.  |                      |                      |
| The ageing of amounts past due but not impaired is as follows:   |                      |                      |
| 1 month past due   | 4,087,188            | 6,785,371            |
| 2 months and older past due  | 12,366,571           | 10,900,081           |
| <b>Receivables from exchange transactions impaired</b>   |                      |                      |
| As of 30 June 2020, consumer debtors of R 119,132,930 (2019: R 137,196,132) were impaired and provided for.  |                      |                      |
| <b>Reconciliation of allowance for impairment of receivables from exchange transactions</b>  |                      |                      |
| Opening balance  | (137,196,132)        | (120,733,123)        |
| Allowance for impairment   | 71,143,557           | 4,006,164            |
| Amounts written off as uncollectible   | (53,080,354)         | (20,469,174)         |
|  | <b>(119,132,930)</b> | <b>(137,196,132)</b> |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R            | 2019<br>R            |
|---|----------------------|----------------------|
| <b>6. Receivables from non-exchange transactions</b>  |                      |                      |
| <b>Gross balances</b>                                 |                      |                      |
| Rates   | 85,447,478           | 75,319,205           |
| Fines   | 135,371,729          | 145,166,100          |
| Miscellaneous   | 1,601,228            | 2,311,850            |
|   | <b>222,420,435</b>   | <b>222,797,155</b>   |
| <b>Less: Allowance for impairment</b>                 |                      |                      |
| Rates   | (27,759,387)         | (18,634,939)         |
| Fines   | (117,805,994)        | (119,989,907)        |
|   | <b>(145,565,381)</b> | <b>(138,624,846)</b> |
| <b>Net balance</b>                                    |                      |                      |
| Rates   | 57,688,091           | 56,684,266           |
| Fines   | 17,565,735           | 25,176,193           |
| Miscellaneous   | 1,601,228            | 2,311,850            |
|   | <b>76,855,054</b>    | <b>84,172,309</b>    |
| Ageing of receivables from non-exchange transactions: |                      |                      |
| <b>Rates</b>  |                      |                      |
| Current (0-30 days)                                   | 17,053,569           | 16,568,356           |
| 31 - 60 days  | 4,483,838            | 4,735,309            |
| 61 - 90 days  | 3,271,898            | 2,053,430            |
| 91+ days  | 60,638,173           | 51,962,110           |
|   | 85,447,478           | 75,319,205           |
| Less: Allowance for impairment                        | (27,759,387)         | (18,634,939)         |
|   | <b>57,688,091</b>    | <b>56,684,266</b>    |
| <b>Fines and Other</b>                                |                      |                      |
| Current (0-30 days)                                   | 2,796,314            | 10,603,000           |
| 31 - 60 days  | 2,468,350            | 6,966,300            |
| 61 - 90 days  | 491,800              | 8,006,100            |
| 91+ days  | 131,216,493          | 121,902,550          |
|   | 136,972,957          | 147,477,950          |
|   | (117,805,994)        | (119,989,907)        |
|   | <b>19,166,963</b>    | <b>27,488,043</b>    |

### Credit quality of receivables from non-exchange transactions

Consumer debtors are payable within 30 days. This credit period is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Concentrations of credit risk with respect to trade receivables are limited due to the customer base being large and unrelated. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 6. Receivables from non-exchange transactions (continued)

#### Receivables from non-exchange transactions past due but not impaired

All rates are payable within 30 days from the invoice date. At 30 June 2020, R 55,741,168 (2019: R 60,041,270) were past due but not impaired.

The ageing of rates and fines past due but not impaired is as follows:

|                   |            |            |
|-------------------|------------|------------|
| 1 month past due  | 3,829,904  | 5,474,073  |
| 2 months past due | 51,911,264 | 54,567,197 |

#### Receivables from non-exchange transactions impaired

As of 30 June 2020, other receivables from non-exchange transactions of R 145,565,382 (2019: R 138,624,846) were impaired and provided for.

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
| Opening balance                      | 138,624,846        | 116,391,075        |
| Provision for impairment             | 94,857,473         | 102,936,575        |
| Amounts written off as uncollectible | (87,916,937)       | (80,702,804)       |
|                                      | <b>145,565,382</b> | <b>138,624,846</b> |

In terms of the requirements of GRAP 23 and IGRAP1, all fines issued during the year less any cancellations or reductions identified are recognised as revenue. The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. The provision for impairment is based on current and past collection rates applicable to fines. Any fine reductions or cancellations subsequent to the financial year-end is recorded as a write off against the provision raised.

All Non-Government debtors were either specifically impaired or subject to collective impairment.

Debts are required to be settled after 30 days. Interest is charged on all classes of receivables except fines and other receivables at prime +1%.

### 7. Statutory receivables

The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

|                          |                   |                    |
|--------------------------|-------------------|--------------------|
| Consumer debtors - Rates | 57,688,091        | 56,684,266         |
| Fines                    | 17,565,735        | 25,176,193         |
| VAT                      | 20,963,690        | 19,744,003         |
|                          | <b>96,217,516</b> | <b>101,604,462</b> |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R         | 2019<br>R         |
|---|-------------------|-------------------|
| <b>7. Statutory receivables (continued)</b>   |                   |                   |
| <b>Statutory receivables general information</b>  |                   |                   |
| <b>Transaction(s) arising from statute</b>  |                   |                   |
| Rates - Municipal Property Rates Act (MRP Act) section 2 states that a metropolitan or local municipality may levy a rate on property in its area.  |                   |                   |
| Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996.  |                   |                   |
| VAT - VAT is received and paid as required per the Value Added Tax Act No 89 of 1991.   |                   |                   |
| <b>Determination of transaction amount</b>  |                   |                   |
| Rates - Rates amount are determined in terms of section 11 of the MRP act and the approved rates policy of the municipality.  |                   |                   |
| Fines - All fines are governed by the specific regulation which is applicable to the offence.   |                   |                   |
| VAT - VAT is applied to all relevant goods or services as stated in the VAT act and the amount thereof is determined in terms of the VAT act.   |                   |                   |
| <b>Interest or other charges levied/charged</b>   |                   |                   |
| Rates - Interest is charged on outstanding rates.   |                   |                   |
| Fines - No interest or other charges are charged on outstanding fines.  |                   |                   |
| VAT - VAT is submitted and paid on a monthly basis thus no interest is charged on outstanding VAT amounts.  |                   |                   |
| No discount rate applied on the above mentioned statutory receivables to estimate future cash flows.  |                   |                   |
| <b>Statutory receivables past due but not impaired</b>  |                   |                   |
| Rates - Payment percentage of receivables are used to assess whether the receivable is impaired.<br>Refer to note 6 for more detail on the impairment and ageing of statutory receivable past due not impaired.   |                   |                   |
| Fines - Payment percentage of fines are used to assess whether the fines are impaired.<br>Refer to note 6 for more detail on the impairment provision and ageing of statutory receivables past due not impaired.  |                   |                   |
| VAT - VAT receivables from SARS is not impaired as South African Receiver of Revenue has sufficient funds to pay any outstanding amounts. VAT on output provision is assessed with the debtors impairment provision and included therein.<br>Refer to note 5 for more detail on the impairment provision. |                   |                   |
| <b>8. VAT receivable</b>  |                   |                   |
| VAT   | 20,963,690        | 19,744,003        |
| VAT payable   | (18,345,665)      | (20,512,350)      |
| Less: Contribution to provision for impairment of trade receivables from exchange transactions  | 16,364,410        | 14,512,292        |
| VAT receivable  | 18,384,734        | 18,656,113        |
| Subtotal  | 16,403,479        | 12,656,055        |
| VAT receivable / (payable) to the Receiver of Revenue - Refer to note 55  | 4,560,211         | 7,087,948         |
|   | <b>20,963,690</b> | <b>19,744,003</b> |

VAT is payable on the payment basis. Only once payment is received from debtors is VAT paid over to SARS.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R          | 2019<br>R         |
|--|--------------------|-------------------|
| <b>9. Unspent grants and receipts</b>                              |                    |                   |
| <b>Unspent Grants and receipts</b>                                 |                    |                   |
| National Government Grants   | 6,576,320          | 24,231,541        |
| Provincial Government Grants                                       | 2,263,483          | 4,395,175         |
|  | <b>8,839,803</b>   | <b>28,626,716</b> |
| <b>Less: Unpaid Grants</b>   |                    |                   |
| Provincial Government Grants                                       | 14,212,891         | 14,391,295        |
|  | <b>(5,373,088)</b> | <b>14,235,421</b> |
| <b>Net unspent/(unpaid) grants and receipts</b>                    |                    |                   |
|  | <b>(5,373,088)</b> | <b>14,235,421</b> |
| <b>Unspent and unpaid grants and receipts comprises of:</b>        |                    |                   |
| <b>Unspent conditional grants and receipts</b>                     |                    |                   |
| National: Municipal Infrastructure Grant (MIG)                     | 6,072,795          | 8,458,344         |
| National: Municipal Systems Improvement Grant (MSIG)               | 56,884             | 56,884            |
| National: Integrated National Electrification Program Grant (INEP) | -                  | 1,013,657         |
| National: Neighbourhood Development Partnership Grant (NDPG)       | 446,641            | 14,702,657        |
| Provincial: Integrated Housing and Human Settlement Grant (IHHS)   | (14,212,891)       | (14,391,295)      |
| Provincial: Other Provincial Grants                                | 2,263,483          | 4,395,176         |
|  | <b>(5,373,088)</b> | <b>14,235,423</b> |

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

Also refer to appendix "B" for a reconciliation of grants from other sources. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R    | 2019<br>R    |
|---|--------------|--------------|
| <b>9. Unspent grants and receipts (continued)</b> |              |              |
| <b>Unconditional Grants</b>                       |              |              |
| <b>Equitable share</b>                            |              |              |
| Current year receipts                             | 86,321,000   | 78,338,000   |
| Transferred to revenue - operating                | (86,321,000) | (78,338,000) |
|   | -            | -            |

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

### Conditional Grants

#### National: Financial Management Grant (FMG)

|   |             |             |
|---|-------------|-------------|
| Current year receipts                               | 1,550,000   | 1,550,000   |
| Conditions met - transferred to revenue - operating | (1,550,000) | (1,550,000) |
|   | -           | -           |

The FMG grant is a conditional grant to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

#### National: Municipal Infrastructure Grant (MIG)

|   |                  |                  |
|---|------------------|------------------|
| Opening balance                                     | 8,458,344        | -                |
| Current year receipts                               | 25,031,000       | 24,594,000       |
| Conditions met - transferred to revenue - operating | (1,251,500)      | (676,773)        |
| Conditions met - transferred to revenue - capital   | (26,165,049)     | (15,458,883)     |
|   | <b>6,072,795</b> | <b>8,458,344</b> |

The MIG grant is a conditional grant to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

#### National: Energy Efficiency and Demand Side Management Grant (EEDSMG)

|   |               |               |
|---|---------------|---------------|
| Opening balance                                     | 56,884        | -             |
| Current year receipts                               | -             | 6,000,000     |
| Conditions met - transferred to revenue - operating | -             | (25,250)      |
| Conditions met - transferred to revenue - capital   | -             | (5,917,866)   |
|   | <b>56,884</b> | <b>56,884</b> |

The EEDSM grant is a conditional grant to focus on the determination of energy consumption baseline, supply and installation of energy efficient technologies within Municipal facilities.

#### National: Integrated National Electrification Program Grant (INEP)

|   |             |                  |
|---|-------------|------------------|
| Opening balance                                   | 1,013,657   | -                |
| Current year receipts                             | 4,000,000   | 7,000,000        |
| Conditions met - transferred to revenue - capital | (5,013,657) | (5,986,343)      |
|   | -           | <b>1,013,657</b> |

The INEP grant is a conditional grant to provide capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R   | 2019<br>R   |
|---|-------------|-------------|
| <b>9. Unspent grants and receipts (continued)</b>     |             |             |
| <b>National: Extended Public Works Program (EPWP)</b> |             |             |
| Current year receipts                                 | 1,497,000   | 1,187,000   |
| Conditions met - transferred to revenue - operating   | (1,497,000) | (1,187,000) |
|   | -           | -           |

The EPWP grant is a conditional grant to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas in compliance with the EPWP guidelines.

### National: Neighbourhood Development Partnership Grant (NDPG)

#### Heading

|   |                |                   |
|---|----------------|-------------------|
| Opening balance                                   | 14,702,657     | 36,663            |
| Current year receipts                             | 20,000,000     | 23,000,000        |
| Conditions met - transferred to revenue - capital | (19,590,016)   | (8,334,006)       |
| Adjustments                                       | (14,666,000)   | -                 |
|   | <b>446,641</b> | <b>14,702,657</b> |

The NDPG grant is a conditional grant is to fund, support and facilitate the planning and development of neighbourhood development programmes and projects that will be catalysts for further development in these areas. An amount of R 14 666 000 was withheld during the financial year due to unspent grants in the previous financial year

### Provincial: Integrated Housing and Human Settlement Grant (IHHS)

|   |                     |                     |
|---|---------------------|---------------------|
| Opening balance                                   | (14,391,296)        | (4,420,908)         |
| Current year receipts                             | 10,985,098          | -                   |
| Conditions met - transferred to revenue - capital | (10,806,693)        | (9,970,387)         |
|   | <b>(14,212,891)</b> | <b>(14,391,295)</b> |

The housing allocation is a conditional grant to support the creation of sustainable human settlements that enables and improve quality of household life, provision of basic infrastructure, top structures and basic social and economic amenities.

### Provincial: Other Provincial Grants

|   |                  |                  |
|---|------------------|------------------|
| Opening balance                                     | 4,395,176        | 6,318,420        |
| Current year receipts                               | 12,010,918       | 17,270,000       |
| Conditions met - transferred to revenue - operating | (13,061,429)     | (11,818,786)     |
| Conditions met - transferred to revenue - capital   | (309,718)        | (7,239,577)      |
| Adjustment  | (771,464)        | (134,881)        |
|   | <b>2,263,483</b> | <b>4,395,176</b> |

The other provincial grants is mainly allocated to provide financial assistance to municipalities to improve overall financial governance within municipalities, improving credibility and responsiveness of municipal budgets, improving audit outcomes and addressing institutional challenges, to cover operational and capital costs pertaining to the line functions of CDW's, to ensure functional and compliant performance management systems. The unspent portion relates to conditions not yet met at year-end. An amount of R771 464 was withheld during the financial year due to unspent grants in the previous financial year

R550 000 fund was received for Covid 19. The fund was utilised for Humanitarian Relief - Food Parcels.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R         | 2019<br>R         |
|--|-------------------|-------------------|
| <b>9. Unspent grants and receipts (continued)</b>  |                   |                   |
| <b>District: Municipal Disaster Recovery Grant</b>   |                   |                   |
| Current year receipts  | 417,000           | -                 |
| Conditions met - transferred to revenue - operating  | (417,000)         | -                 |
|  | -                 | -                 |
| The Municipal disaster recovery grant relate to covid 19 related expenses. The R 417 000 fund was utilised for Personal Protective Equipment (PPE).                                |                   |                   |
| <b>10. Cash and cash equivalents</b>   |                   |                   |
| Cash and cash equivalents consist of:  |                   |                   |
| Short-term deposits  | 13,771,697        | 24,204,718        |
| Bank balances  | 65,511,577        | 47,494,761        |
| Cash on hand   | 10,350            | 9,550             |
|  | <b>79,293,624</b> | <b>71,709,029</b> |
| <b>Facilities</b>  |                   |                   |
| A standing overdraft facility of R 5mil is part of the agreement with Nedbank Limited.   |                   |                   |
| <b>Credit quality of cash at bank and short term deposits, excluding cash on hand</b>  |                   |                   |
| The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings. |                   |                   |
| <b>Credit rating</b>   |                   |                   |
| Ba1 (Nedbank, ABSA, Standard Bank and Investec)  | 79,283,274        | 71,699,479        |
| <b>Cash and cash equivalents pledged as collateral</b>   |                   |                   |
| Cash and cash equivalents to an amount of R 8,839,803 (2019: R 28,626,716) are held to fund the Unspent Conditional Grants. Refer to note 9.                                       |                   |                   |
| Call Investment Deposits of R 12,549,184 (2019: R 11,856,922) have been pledged to DBSA as guarantees on external loans taken up. Refer to note 16.                                |                   |                   |
| <b>Guarantees Issued</b>   | 156,100           | 156,100           |



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

| Account number /<br>description                               | Bank statement balances |                   |                   | Cash book balances |                   |                   |
|---|-------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
|   | 30 June 2020            | 30 June 2019      | 30 June 2018      | 30 June 2020       | 30 June 2019      | 30 June 2018      |
| Nedbank - Primary bank account - 162 656 1826                 | 68,802,702              | 60,240,941        | 70,091,946        | 65,272,923         | 43,437,200        | 54,841,041        |
| Nedbank - Secondary account - 162 656 1834                    | 142,408                 | 113,936           | 216,687           | 131,791            | 98,114            | 154,076           |
| Nedbank - Tertiary account (SARS VAT receipts) - 162 657 1139 | 55                      | 312               | 367               | 55                 | 312               | 367               |
| Nedbank - Emergency Fund - 114 792 0699                       | 106,851                 | 3,959,135         | 3,959,719         | 106,808            | 3,959,135         | 3,959,719         |
| <b>Total</b>  | <b>69,052,016</b>       | <b>64,314,324</b> | <b>74,268,719</b> | <b>65,511,577</b>  | <b>47,494,761</b> | <b>58,955,203</b> |

Call Investment Deposits consist of the following accounts:

|   |                   |                   |
|---|-------------------|-------------------|
| Nedbank - 03/7881531940/54 - Ceded DBSA | 12,549,184        | 11,856,922        |
| Nedbank - 03/7881068957/10              | 64,863            | 61,285            |
| Nedbank - 03/7881150963/01              | 1,018,898         | 7,167,354         |
| Standard Bank - 288567420-020           | -                 | 5,118,617         |
| Investec - 021941-501                   | 571               | 540               |
| ABSA - 4096329674                       | 135,256           | -                 |
| ABSA - 9073297009                       | 2,925             | -                 |
|   | <b>13,771,697</b> | <b>24,204,718</b> |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 11. Investment property

|                     | 2020        |   |                | 2019        |   |                |
|---------------------|-------------|---|----------------|-------------|---|----------------|
|                     | Cost        | Accumulated depreciation and accumulated impairment | Carrying value | Cost        | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 151,095,108 | (82,275,531)  | 68,819,577     | 155,108,608 | (83,348,245)  | 71,760,363     |

#### Reconciliation of investment property - 2020

|                     | Opening balance | Additions | Disposals   | Depreciation | Total      |
|---------------------|-----------------|-----------|-------------|--------------|------------|
| Investment property | 71,760,363      | -         | (2,796,946) | (143,840)    | 68,819,577 |

#### Reconciliation of investment property - 2019

|                     | Opening balance | Additions | Disposals   | Depreciation | Total      |
|---------------------|-----------------|-----------|-------------|--------------|------------|
| Investment property | 75,451,556      | -         | (3,534,661) | (156,532)    | 71,760,363 |

#### Land appointed in terms of legislation which entity controls without legal ownership or custodianship (IGRAP 18 par 40)

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in note 1.4. The land of the municipality are under the control of the municipality due to a vesting substantive right over the land. These land represents mainly public open spaces and roads vesting to the municipality.

|  |            |            |
|--|------------|------------|
| Carrying value of land included in the carrying value of Investment properties | 11,189,000 | 11,189,000 |
|--|------------|------------|

#### Investment property in the process of being constructed or developed

No investment property is in the process of being constructed or developed.

#### Amounts recognised in surplus or deficit

|   |               |                |
|---|---------------|----------------|
| Rental revenue from Investment property                       | 4,512,057     | 4,169,184      |
| <b>From Investment property that generated rental revenue</b> |               |                |
| Repairs and maintenance - Contracted services                 | 42,064        | 85,362         |
| Repairs and maintenance - Inventory consumed                  | -             | 189,454        |
| Operational costs   | -             | 31,691         |
|   | <b>42,064</b> | <b>306,507</b> |

#### Other

The ownership of Erf 216/54 Brenton with a fair value of R10,600,000 is the subject of a legal dispute and according to the legal opinion obtained by the Municipality, ownership of this property vests with the Municipality. There are no other restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 12. Property, plant and equipment

|                    | 2020                 |   |                      | 2019                 |   |                      |
|--------------------|----------------------|---|----------------------|----------------------|---|----------------------|
|                    | Cost                 | Accumulated depreciation and - impairment | Carrying value       | Cost                 | Accumulated depreciation and - impairment | Carrying value       |
| Land and buildings | 352,270,221          | (181,584,478)                             | 170,685,743          | 351,965,839          | (181,010,756)                             | 170,955,083          |
| Infrastructure     | 1,222,757,780        | (322,272,052)                             | 900,485,728          | 1,113,877,621        | (296,975,524)                             | 816,902,097          |
| Community assets   | 107,368,018          | (12,610,171)                              | 94,757,847           | 88,796,791           | (11,424,470)                              | 77,372,321           |
| Other assets       | 126,216,657          | (51,607,584)                              | 74,609,073           | 106,929,791          | (44,824,783)                              | 62,105,008           |
| <b>Total</b>       | <b>1,808,612,676</b> | <b>(568,074,285)</b>                      | <b>1,240,538,391</b> | <b>1,661,570,042</b> | <b>(534,235,533)</b>                      | <b>1,127,334,509</b> |

### Reconciliation of property, plant and equipment - 2020

|  | Carrying Value     | Cost               | Accumulated Depreciation and Impairments |                       |                   |                     |                          |                        |                   | Carrying Value     |
|--|--------------------|--------------------|--|-----------------------|-------------------|---------------------|--------------------------|------------------------|-------------------|--------------------|
|  | Opening balance    | Additions          | Disposals                                | Transfer to completed | IGRAP2 adjustment | Depreciation charge | Disposals - Depreciation | Disposals - Impairment | IGRAP2 impairment | Closing balance    |
| <b>Land and buildings</b>                    | <b>170,955,083</b> | <b>184,382</b>     | -  | <b>120,000</b>        | -                 | <b>(573,722)</b>    | -                        | -                      | -                 | <b>170,685,743</b> |
| Operational land                             | 124,244,717        | -                  | -  | -                     | -                 | -                   | -                        | -                      | -                 | 124,244,717        |
| Operational buildings                        | 35,725,124         | 184,382            | -  | 270,721               | -                 | (573,722)           | -                        | -                      | -                 | 35,606,505         |
| Work in progress                             | 10,985,242         | -                  | -  | (150,721)             | -                 | -                   | -                        | -                      | -                 | 10,834,521         |
| <b>Infrastructure</b>                        | <b>816,902,097</b> | <b>111,052,192</b> | <b>(592,864)</b>                         | <b>(1,579,170)</b>    | -                 | <b>(25,650,536)</b> | <b>354,011</b>           | -                      | -                 | <b>900,485,730</b> |
| Electrical infrastructure                    | 204,063,109        | -                  | (13,377)                                 | 12,121,432            | -                 | (6,232,290)         | 9,332                    | -                      | -                 | 209,948,206        |
| Information and communication infrastructure | 865,238            | -                  | -  | -                     | -                 | (127,262)           | -                        | -                      | -                 | 737,976            |
| Roads infrastructure                         | 115,532,966        | -                  | -  | 539,640               | -                 | (5,125,952)         | -                        | -                      | -                 | 110,946,654        |
| Sanitation infrastructure                    | 146,973,682        | -                  | -  | 1,842,115             | -                 | (5,078,214)         | -                        | -                      | -                 | 143,737,583        |
| Solid waste infrastructure                   | 2,125,665          | 321,740            | -  | -                     | -                 | (47,204)            | -                        | -                      | -                 | 2,400,201          |
| Storm water infrastructure                   | 24,361,756         | -                  | (45,999)                                 | 250,433               | -                 | (722,011)           | 2,761                    | -                      | -                 | 23,846,940         |
| Water supply infrastructure                  | 228,946,371        | -                  | (533,488)                                | 33,386,149            | -                 | (8,317,603)         | 341,918                  | -                      | -                 | 253,823,347        |
| Work in progress                             | 94,033,310         | 110,730,452        | -  | (49,718,939)          | -                 | -                   | -                        | -                      | -                 | 155,044,823        |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 12. Property, plant and equipment (continued)

|                                   | Carrying Value       | Cost               |                    | Accumulated Depreciation and Impairments |                       |                   |                     |                          |                        | Carrying Value    |                      |
|-----------------------------------|----------------------|--------------------|--------------------|--|-----------------------|-------------------|---------------------|--------------------------|------------------------|-------------------|----------------------|
|                                   |                      | Opening balance    | Additions          | Disposals                                | Transfer to completed | IGRAP2 adjustment | Depreciation charge | Disposals - Depreciation | Disposals - Impairment | IGRAP2 impairment | Closing balance      |
| <b>Community assets</b>           | <b>77,372,321</b>    | <b>18,146,755</b>  | <b>(118,657)</b>   | <b>543,130</b>                           | <b>(1,185,702)</b>    | <b>-</b>          | <b>(1,185,702)</b>  | <b>-</b>                 | <b>-</b>               | <b>-</b>          | <b>94,757,847</b>    |
| Community facilities              | 47,572,061           | 576,850            | -                  | 820,047                                  | (874,173)             | -                 | (874,173)           | -                        | -                      | -                 | 48,094,785           |
| Sport and recreational facilities | 14,934,814           | 152,812            | -                  | -  | (311,529)             | -                 | (311,529)           | -                        | -                      | -                 | 14,776,097           |
| Work in progress                  | 14,865,446           | 17,417,093         | (118,657)          | (276,917)                                | -                     | -                 | -                   | -                        | -                      | -                 | 31,886,965           |
| <b>Other assets</b>               | <b>62,105,008</b>    | <b>19,282,810</b>  | <b>(911,982)</b>   | <b>916,040</b>                           | <b>(7,490,545)</b>    | <b>-</b>          | <b>(7,490,545)</b>  | <b>707,744</b>           | <b>-</b>               | <b>-</b>          | <b>74,609,075</b>    |
| Computer equipment                | 6,130,905            | 219,810            | (420,210)          | -  | (1,243,522)           | -                 | (1,243,522)         | 331,626                  | -                      | -                 | 5,018,609            |
| Furniture and office equipment    | 5,764,053            | 506,923            | (232,612)          | -  | (1,501,190)           | -                 | (1,501,190)         | 179,365                  | -                      | -                 | 4,716,539            |
| Machinery and equipment           | 10,978,279           | 16,385,383         | (154,084)          | 799,697                                  | (2,177,458)           | -                 | (2,177,458)         | 114,362                  | -                      | -                 | 25,946,179           |
| Transport assets                  | 37,829,752           | 2,170,694          | (105,076)          | 1,518,362                                | (2,568,375)           | -                 | (2,568,375)         | 82,391                   | -                      | -                 | 38,927,748           |
| Work in progress                  | 1,402,019            | -                  | -                  | (1,402,019)                              | -                     | -                 | -                   | -                        | -                      | -                 | -                    |
|                                   | <b>1,127,334,509</b> | <b>148,666,139</b> | <b>(1,623,503)</b> | <b>-</b>                                 | <b>(34,900,505)</b>   | <b>-</b>          | <b>(34,900,505)</b> | <b>1,061,755</b>         | <b>-</b>               | <b>-</b>          | <b>1,240,538,395</b> |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 12. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019 (Restated)

|  | Carrying Value       |                    | Cost               |                       | Accumulated Depreciation and Impairments |                     |                          |                        |                    | Carrying value       |  |
|--|----------------------|--------------------|--------------------|-----------------------|--|---------------------|--------------------------|------------------------|--------------------|----------------------|--|
|  | Opening balance      | Additions          | Disposals          | Transfer to completed | IGRAP 2 adjustment                       | Depreciation charge | Disposals - Depreciation | Disposals - Impairment | IGRAP 2 impairment | Closing balance      |  |
| <b>Land and buildings</b>                    | <b>171,248,673</b>   | <b>327,203</b>     | <b>(93,232)</b>    | -                     | -  | <b>(548,561)</b>    | -                        | <b>21,000</b>          | -                  | <b>170,955,083</b>   |  |
| Operational land                             | 124,316,949          | -                  | (93,232)           | -                     | -  | -                   | -                        | 21,000                 | -                  | 124,244,717          |  |
| Operational buildings                        | 36,097,203           | 176,482            | -                  | -                     | -  | (548,561)           | -                        | -                      | -                  | 35,725,124           |  |
| Work in progress                             | 10,834,521           | 150,721            | -                  | -                     | -  | -                   | -                        | -                      | -                  | 10,985,242           |  |
| <b>Infrastructure</b>                        | <b>722,522,589</b>   | <b>119,082,129</b> | -                  | <b>(89,645)</b>       | <b>260,371</b>                           | <b>(24,612,976)</b> | -                        | -                      | <b>(260,371)</b>   | <b>816,902,097</b>   |  |
| Electrical infrastructure                    | 189,984,880          | 172,600            | -                  | 19,611,940            | -  | (5,706,311)         | -                        | -                      | -                  | 204,063,109          |  |
| Information and communication infrastructure | 666,423              | 308,562            | -                  | -                     | -  | (109,747)           | -                        | -                      | -                  | 865,238              |  |
| Roads infrastructure                         | 103,021,956          | -                  | -                  | 17,572,117            | -  | (5,061,107)         | -                        | -                      | -                  | 115,532,966          |  |
| Sanitation infrastructure                    | 146,544,863          | -                  | -                  | 5,415,204             | -  | (4,986,385)         | -                        | -                      | -                  | 146,973,682          |  |
| Solid waste infrastructure                   | 237,085              | 1,248,170          | -                  | 656,980               | 260,371                                  | (16,570)            | -                        | -                      | (260,371)          | 2,125,665            |  |
| Storm water infrastructure                   | 21,284,583           | -                  | -                  | 3,774,634             | -  | (697,461)           | -                        | -                      | -                  | 24,361,756           |  |
| Water supply infrastructure                  | 215,707,978          | -                  | -                  | 21,273,788            | -  | (8,035,395)         | -                        | -                      | -                  | 228,946,371          |  |
| Work in progress                             | 45,074,821           | 117,352,797        | -                  | (68,394,308)          | -  | -                   | -                        | -                      | -                  | 94,033,310           |  |
| <b>Community assets</b>                      | <b>54,493,940</b>    | <b>23,825,346</b>  | <b>(21,120)</b>    | <b>89,646</b>         | -  | <b>(1,016,178)</b>  | <b>687</b>               | -                      | -                  | <b>77,372,321</b>    |  |
| Community facilities                         | 34,783,709           | 10,866,552         | (21,120)           | 2,687,234             | -  | (745,001)           | 687                      | -                      | -                  | 47,572,061           |  |
| Sport & recreational facilities              | 12,460,746           | 2,326,082          | -                  | 419,163               | -  | (271,177)           | -                        | -                      | -                  | 14,934,814           |  |
| Work in progress                             | 7,249,485            | 10,632,712         | -                  | (3,016,751)           | -  | -                   | -                        | -                      | -                  | 14,865,446           |  |
| <b>Other assets</b>                          | <b>63,006,054</b>    | <b>6,410,388</b>   | <b>(2,470,774)</b> | -                     | -  | <b>(6,810,880)</b>  | <b>1,970,220</b>         | -                      | -                  | <b>62,105,008</b>    |  |
| Computer equipment                           | 6,059,027            | 1,408,497          | (996,135)          | -                     | -  | (1,209,804)         | 869,320                  | -                      | -                  | 6,130,905            |  |
| Furniture and office equipment               | 6,573,040            | 700,832            | (466,735)          | -                     | -  | (1,471,744)         | 428,660                  | -                      | -                  | 5,764,053            |  |
| Machinery and equipment                      | 11,611,879           | 1,105,871          | (577,177)          | -                     | -  | (1,671,064)         | 508,770                  | -                      | -                  | 10,978,279           |  |
| Transport assets                             | 35,313,071           | 1,793,169          | (430,727)          | 3,449,037             | -  | (2,458,268)         | 163,470                  | -                      | -                  | 37,829,752           |  |
| Work in progress                             | 3,449,037            | 1,402,019          | -                  | (3,449,037)           | -  | -                   | -                        | -                      | -                  | 1,402,019            |  |
|  | <b>1,011,271,256</b> | <b>149,645,066</b> | <b>(2,585,126)</b> | <b>1</b>              | <b>260,371</b>                           | <b>(32,988,595)</b> | <b>1,970,907</b>         | <b>21,000</b>          | <b>(260,371)</b>   | <b>1,127,334,509</b> |  |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R          | 2019<br>R          |
|--|--------------------|--------------------|
| <b>12. Property, plant and equipment (continued)</b>   |                    |                    |
| <b>Assets subject to finance lease and pledged as security</b>   |                    |                    |
| Furniture and office equipment   | 356,303            | 1,211,114          |
| Machinery and equipment  | 11,987,209         | -                  |
|  | <b>12,343,512</b>  | <b>1,211,114</b>   |
| <b>Land appointed in terms of legislation which entity controls without legal ownership or custodianship (IGRAP 18 par 40)</b>   |                    |                    |
| In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in note 1.4. The land of the municipality are under the control of the municipality due to a vesting substantive right over the land. |                    |                    |
| Carrying value of land included in the carrying value of Property, plant and equipment   | 14,374,700         | 14,374,700         |
| <b>Property, plant and equipment in the process of being constructed or developed:</b>   |                    |                    |
| <b>Cumulative expenditure recognised in the carrying value of property, plant and equipment</b>  |                    |                    |
| Buildings  | 10,834,521         | 10,985,242         |
| Infrastructure   | 155,044,823        | 117,592,724        |
| Community  | 31,886,965         | 14,865,446         |
| Other property, plant and equipment  | -                  | 1,402,019          |
|  | <b>197,766,309</b> | <b>144,845,431</b> |
| <b>Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected</b>  |                    |                    |
| Knysna Cemetery professional fees - Community asset  | 1,019,135          | 20,285             |
| Still in progress of land identification.  |                    |                    |
| White location sportfields - professional fees - Community asset   | 3,595,577          | -                  |
| Still in progress of land identification.  |                    |                    |
|  | <b>4,614,712</b>   | <b>20,285</b>      |
| <b>Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)</b>   |                    |                    |
| Greensite development and tipsite establishment - Infrastructure   | 198,140            | 198,140            |
| This project is not completed due to the funds that were reallocated.  |                    |                    |
| No impairment loss has been recognised as the project will continue as and when funding becomes available.   |                    |                    |
| Erf 7057 Upgrade Bonganie Sportfield - Community   | 2,042,977          | -                  |
| This project is not completed due to the funds that were reallocated   |                    |                    |
| No impairment loss has been recognised as the project will continue as and when funding becomes available.   |                    |                    |
|  | <b>2,241,117</b>   | <b>198,140</b>     |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R         | 2019<br>R         |
|--|-------------------|-------------------|
| <b>12. Property, plant and equipment (continued)</b>                             |                   |                   |
| <b>Expenditure incurred to repair and maintain property, plant and equipment</b> |                   |                   |
| <b>Included in Statement of Financial Performance</b>                            |                   |                   |
| Contracted services  | 45,936,566        | 44,118,565        |
| Sale of goods/Inventory  | 13,923,844        | 12,547,486        |
| General expenses   | 5,619,096         | 5,016,425         |
|  | <b>65,479,506</b> | <b>61,682,476</b> |

## 13. Intangible assets

|                               | 2020    |   |                | 2019    |   |                |
|-------------------------------|---------|---|----------------|---------|---|----------------|
|                               | Cost    | Accumulated amortisation and accumulated impairment | Carrying value | Cost    | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software and website | 184,239 | (66,969)  | 117,270        | 184,239 | (48,551)  | 135,688        |

### Reconciliation of intangible assets - 2020

|                               | Opening balance | Additions | Amortisation | Total   |
|-------------------------------|-----------------|-----------|--------------|---------|
| Computer software and website | 135,688         | -         | (18,418)     | 117,270 |

### Reconciliation of intangible assets - 2019

|                               | Opening balance | Additions | Amortisation | Total   |
|-------------------------------|-----------------|-----------|--------------|---------|
| Computer software and website | 154,106         | -         | (18,418)     | 135,688 |

### Pledged as security

There are no intangible assets pledged as security for liabilities.

### Intangible assets in the process of being constructed or developed

No intangible assets in the process of being constructed or developed.

### Restricted title

There are no intangible assets whose title is restricted.

### Other information

No intangible assets were assessed having an indefinite useful life.

There are no contractual commitments for the acquisition of intangible assets.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 14. Heritage assets

|  | 2020              |                               |                   | 2019              |                               |                   |
|--|-------------------|-------------------------------|-------------------|-------------------|-------------------------------|-------------------|
|  | Cost              | Accumulated impairment losses | Carrying value    | Cost              | Accumulated impairment losses | Carrying value    |
| Land of historical significance and conservation areas | 26,709,000        | (11,998,000)                  | 14,711,000        | 26,709,000        | (11,998,000)                  | 14,711,000        |
| Historical buildings                                   | 2,393,952         | (13,952)                      | 2,380,000         | 2,393,952         | (13,952)                      | 2,380,000         |
| Works of art   | 83,550            | -                             | 83,550            | 83,550            | -                             | 83,550            |
| Historical monuments                                   | 18,871            | -                             | 18,871            | 18,871            | -                             | 18,871            |
| Book collection of historical significance             | 241,625           | -                             | 241,625           | 241,625           | -                             | 241,625           |
| <b>Total</b>   | <b>29,446,998</b> | <b>(12,011,952)</b>           | <b>17,435,046</b> | <b>29,446,998</b> | <b>(12,011,952)</b>           | <b>17,435,046</b> |

#### Reconciliation of heritage assets 2020

|  | Opening balance   | Total             |
|--|-------------------|-------------------|
| Works of art   | 83,550            | 83,550            |
| Historical monuments                                   | 18,871            | 18,871            |
| Land of historical significance and conservation areas | 14,711,000        | 14,711,000        |
| Historical buildings                                   | 2,380,000         | 2,380,000         |
| Book collection of historical significance             | 241,625           | 241,625           |
|  | <b>17,435,046</b> | <b>17,435,046</b> |

#### Reconciliation of heritage assets 2019

|  | Opening balance   | Total             |
|--|-------------------|-------------------|
| Works of art   | 83,550            | 83,550            |
| Historical monuments                                   | 18,871            | 18,871            |
| Land of historical significance and conservation areas | 14,711,000        | 14,711,000        |
| Historical buildings                                   | 2,380,000         | 2,380,000         |
| Book collection of historical significance             | 241,625           | 241,625           |
|  | <b>17,435,046</b> | <b>17,435,046</b> |

#### Details of heritage assets

Heritage assets consist mainly of land, historical buildings and monuments older than 50 years.

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop heritage assets or for repairs, maintenance or enhancements.

There are no heritage assets pledged as security for liabilities.

There are no third party payments received for losses and impairments incurred.

**Land appointed in terms of legislation which entity controls without legal ownership or custodianship (IGRAP 18 par 40)**



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
| <b>14. Heritage assets (continued)</b>   |           |           |
| In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in note 1.4. The land of the municipality are under the control of the municipality due to a vesting substantive right over the land. |           |           |
| Carrying value of land included in the carrying value of Heritage assets.  | 8,000     | 8,000     |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R        | 2019<br>R        |
|--|------------------|------------------|
| <b>14. Heritage assets (continued)</b>   |                  |                  |
| <b>Heritage assets used for more than one purpose</b>  |                  |                  |
| The following heritage assets are used by the entity for more than one purpose:  |                  |                  |
| Erf 475 Knysna: Heritage tourism building  | 2,822,000        | 2,822,000        |
| Erf 1003 Knysna: Old goal heritage building, museum and municipal offices  | 3,900,000        | 3,900,000        |
|  | <b>6,722,000</b> | <b>6,722,000</b> |
| <b>Heritage assets in the process of being constructed or developed</b>  |                  |                  |
| No heritage assets is in the process of being constructed or developed.  |                  |                  |
| <b>Expenditure incurred to repair and maintain heritage assets</b>   |                  |                  |
| <b>Expenditure incurred to repair and maintain heritage assets included in Statement of Financial Performance</b>  |                  |                  |
| Contracted services  | 46,082           | 77,820           |
| Sale of goods/Inventory  | 75,000           | 24,393           |
| Operational cost   | 18,800           | -                |
|  | <b>139,882</b>   | <b>102,213</b>   |
| <b>15. Operating lease asset (liability)</b>   |                  |                  |
| Non-current assets   | 2,187,570        | 2,060,278        |
| Non-current liabilities  | -                | (109,445)        |
|  | <b>2,187,570</b> | <b>1,950,833</b> |
| Refer to note 45 for additional disclosure relating to the operating lease asset and accrual.  |                  |                  |
| <b>16. Long-term liabilities</b>   |                  |                  |
| <b>At amortised cost</b>   |                  |                  |
| Annuity loans  | 244,280,767      | 197,578,312      |
| <b>Annuity loans</b>   |                  |                  |
| Annuity loans bear interest at rates between 7.93% and 11.69% per annum. Investec Fixed Deposit (Acc 021941420) of R 10,807,418 and the Call Investment Deposit of R12,549,184 have been pledged to DBSA as guarantees for external loans taken up. Refer to notes 4 and 10. |                  |                  |
| <b>Non-current liabilities</b>   |                  |                  |
| At amortised cost  | 216,054,162      | 173,816,114      |
| <b>Current liabilities</b>   |                  |                  |
| At amortised cost  | 28,226,605       | 23,762,198       |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R         | 2019<br>R        |
|--|-------------------|------------------|
| <b>17. Finance lease obligation</b>                |                   |                  |
| <b>Minimum lease payments due</b>                  |                   |                  |
| - within one year                                  | 5,157,415         | 1,016,796        |
| - in second to fifth year inclusive                | 7,100,626         | 423,665          |
|  | 12,258,041        | 1,440,461        |
| less: future finance charges                       | (1,370,597)       | (124,204)        |
| <b>Present value of minimum lease payments</b>     | <b>10,887,444</b> | <b>1,316,257</b> |
| <b>Present value of minimum lease payments due</b> |                   |                  |
| - within one year                                  | 4,301,926         | 905,263          |
| - in second to fifth year inclusive                | 6,585,518         | 410,994          |
|  | <b>10,887,444</b> | <b>1,316,257</b> |
| Non-current liabilities                            | 6,585,517         | 410,994          |
| Current liabilities                                | 4,301,927         | 905,263          |
|  | <b>10,887,444</b> | <b>1,316,257</b> |

It is municipality policy to lease certain equipment under finance leases. The office equipment is leased from Konica Minolta and Bytes and the other machinery and equipment (wheelie bins) from Impact Plastic Containers.

The average lease term was 3 years and the effective borrowing rate was 9.66% to 12.50%.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The maturity date of the leases is 30 November 2020 for the office equipment and 31 December 2022 for the other machinery and equipment.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 12.

## 18. Payables from exchange transactions

|                               |                    |                    |
|-------------------------------|--------------------|--------------------|
| Accrued Interest on Loans     | 786,772            | 2,820,530          |
| Trade payables                | 90,933,195         | 72,400,901         |
| Payments received in advanced | 17,003,365         | 14,867,255         |
| Retentions                    | 13,026,186         | 10,438,125         |
| Hoarding fees                 | 10,136,054         | 9,508,770          |
| Other payables                | 7,611,970          | 4,738,734          |
| Deposits: Other               | 270,584            | 1,207,464          |
|                               | <b>139,768,126</b> | <b>115,981,779</b> |

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

All payables are unsecured.

Included in other payables is unidentified traffic fines paid, group scheme accruals and salary accruals.

Other deposits include Hall and Tender Deposits.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|                              | 2020<br>R         | 2019<br>R         |
|------------------------------|-------------------|-------------------|
| <b>19. Consumer deposits</b> |                   |                   |
| Electricity                  | 7,098,718         | 7,091,672         |
| Water                        | 5,780,671         | 5,560,497         |
| Other deposits               | 184,326           | 166,272           |
| Town Hall rental             | 99,856            | 105,920           |
|                              | <b>13,163,571</b> | <b>12,924,361</b> |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R          | 2019<br>R          |
|--|--------------------|--------------------|
| <b>20. Employee benefit obligations</b>  |                    |                    |
| <b>The amounts recognised in the statement of financial position are as follows:</b>                                     |                    |                    |
| <b>Non-current liabilities</b>   |                    |                    |
| Post-Retirement Medical Aid benefits liability   | 80,974,016         | 87,477,761         |
| Ex-gratia pension benefits liability   | 93,078             | 87,610             |
| Long service awards  | 14,954,603         | 13,876,211         |
|  | <b>96,021,697</b>  | <b>101,441,582</b> |
| <b>Current liabilities</b>   |                    |                    |
| Post-Retirement Medical Aid benefits liability   | 3,024,003          | 3,541,072          |
| Ex-gratia pension benefits liability   | 11,052             | 11,052             |
| Long service awards  | 1,576,000          | 1,030,118          |
| Performance bonus  | 3,452,548          | 2,740,141          |
| Staff annual bonus   | 6,442,961          | 5,869,179          |
| Staff leave  | 22,380,858         | 19,800,491         |
|  | <b>36,887,422</b>  | <b>32,992,053</b>  |
| <b>Total liabilities</b>   |                    |                    |
| Post-Retirement Medical Aid benefits liability   | 83,998,019         | 91,018,833         |
| Ex-gratia pension benefits liability   | 104,130            | 98,662             |
| Long service awards  | 16,530,603         | 14,906,329         |
| Performance bonus  | 3,452,548          | 2,740,141          |
| Staff annual bonus   | 6,442,961          | 5,869,179          |
| Staff leave  | 22,380,858         | 19,800,491         |
|  | <b>132,909,119</b> | <b>134,433,635</b> |
| <b>Post-retirement medical aid benefit liability</b>   |                    |                    |
| The Post-retirement benefit plan is a wholly unfunded defined benefit plan, of which the members are made up as follows: |                    |                    |
| In-service (Employees) members   | 362                | 347                |
| In-service (Employees) non-members   | 333                | 319                |
| Continuation members   | 65                 | 63                 |
| <b>Total members</b>   | <b>760</b>         | <b>729</b>         |
| In-service members   | 37,711,000         | 44,503,502         |
| Continuation members   | 45,487,000         | 45,790,064         |
| Non-members  | 800,000            | 725,267            |
| <b>Total unfunded liability</b>  | <b>83,998,000</b>  | <b>91,018,833</b>  |

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- LA Health
- Hosmed
- Keyhealth
- Samwumed

The Current-service cost for the year ending 30 June 2021 is estimated to be R 2 706 000 (2020: R 3 024 003 whereas the interest cost for the same year is estimated to be R 8 417 000 (2020: R 8 366 279).

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R          | 2019<br>R         |
|---|--------------------|-------------------|
| <b>20. Employee benefit obligations (continued)</b>   |                    |                   |
| The principal assumptions used for the purposes of the actuarial valuations were as follows:  |                    |                   |
| i) Rate of interest   |                    |                   |
| Discount rate   | 10.26 %            | 9.37 %            |
| Health care cost inflation rate   | 6.34 %             | 6.84 %            |
| Net effective discount rate   | 3.69 %             | 2.37 %            |
| Expected retirement age - females   | 62                 | 62                |
| Expected retirement age - males   | 62                 | 62                |
| The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".                             |                    |                   |
| The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date. |                    |                   |
| ii) Mortality rates   |                    |                   |
| Pre-retirement: SA 85-90 mortality table  |                    |                   |
| Post-retirement: PA (90) -1 ultimate mortality table  |                    |                   |
| iii) Normal retirement age  |                    |                   |
| It has been assumed that in-service members will retire at age 62, which then implicitly allows for expected rates of early and ill-health retirement.  |                    |                   |
| iv) Actuarial Valuation Method  |                    |                   |
| The Projected Unit Credit Method has been used to value the liabilities.  |                    |                   |
| The amounts recognised in the Statement of Financial Position are as follows:   |                    |                   |
| Present value of unfunded obligations   | 83,998,019         | 91,018,833        |
| Amounts recognised in the Statement of Financial Performance are as follows:  |                    |                   |
| Current service cost  | 3,024,003          | 3,665,472         |
| Interest cost   | 8,366,279          | 8,641,764         |
| Recognised actuarial losses / (gains)   | (14,739,628)       | (9,872,405)       |
|   | <b>(3,349,346)</b> | <b>2,434,831</b>  |
| The movement in the defined benefit obligation over the year is as follows:   |                    |                   |
| Balance at the beginning of the year  | 91,018,833         | 91,966,011        |
| - Current service cost  | 3,024,003          | 3,665,472         |
| - Interest cost   | 8,366,279          | 8,641,764         |
| - Actuarial losses / (gains)  | (14,739,628)       | (9,872,405)       |
| - Benefits paid   | (3,671,468)        | (3,382,009)       |
| <b>Balance at the end of the year</b>   | <b>83,998,019</b>  | <b>91,018,833</b> |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 20. Employee benefit obligations (continued)

The table below summarises the accrued liabilities for the current period and the previous four periods.

| Liability History | 30 June 2016        | 30 June 2017        | 30 June 2018        | 30 June 2019        | 30 June 2020        |
|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Accrued liability | 90,279,930          | 93,082,249          | 91,966,011          | 91,018,833          | 83,998,019          |
|                   | <b>(90,279,930)</b> | <b>(93,082,249)</b> | <b>(91,966,011)</b> | <b>(91,018,833)</b> | <b>(83,998,019)</b> |

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

| Experience adjustments     | 30 June 2016     | 30 June 2017     | 30 June 2018     | 30 June 2019     | 30 June 2020     |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Liabilities: (Gain) / Loss | 3,138,000        | 5,862,000        | 3,507,000        | (382,000)        | 3,044,000        |
|                            | <b>3,138,000</b> | <b>5,862,000</b> | <b>3,507,000</b> | <b>(382,000)</b> | <b>3,044,000</b> |

| Sensitivity analysis on the accrued liability | Change  | In-service | Continuation | Total      | % change |
|---|---------|------------|--------------|------------|----------|
| Central assumptions                           |         | 38,511,000 | 45,487,000   | 83,998,000 |          |
| Health care inflation                         | 1 %     | 46,763,000 | 49,706,000   | 96,469,000 | 15 %     |
| Health care inflation                         | (1)%    | 32,009,000 | 41,802,000   | 73,811,000 | (12)%    |
| Discount rate                                 | 1 %     | 32,265,000 | 41,955,000   | 74,220,000 | (12)%    |
| Discount rate                                 | (1)%    | 46,514,000 | 49,586,000   | 96,100,000 | 14 %     |
| Post-retirement mortality                     | -1 year | 39,465,000 | 46,984,000   | 86,449,000 | 3 %      |
| Average retirement age                        | -1 year | 41,951,000 | 45,487,000   | 87,438,000 | 4 %      |
| Continuation of membership at retirement      | (10)%   | 32,560,000 | 45,487,000   | 78,047,000 | (7)%     |

| Sensitivity analysis on current-service and interest cost | Change  | Current-service cost | Interest cost | Total      | % change |
|---|---------|----------------------|---------------|------------|----------|
| Central assumptions                                       |         | 3,024,000            | 8,366,300     | 11,390,300 |          |
| Health care inflation                                     | 1 %     | 3,818,600            | 9,785,500     | 13,604,100 | 19 %     |
| Health care inflation                                     | (1)%    | 2,419,700            | 7,226,200     | 9,645,900  | (15)%    |
| Discount rate   | 1 %     | 2,458,900            | 8,033,400     | 10,492,300 | (8)%     |
| Discount rate   | (1)%    | 3,770,900            | 8,721,500     | 12,492,400 | 10 %     |
| Post-retirement mortality                                 | -1 year | 3,110,000            | 8,643,100     | 11,753,100 | 3 %      |
| Average retirement age                                    | -1 year | 3,253,000            | 8,711,100     | 11,964,100 | 5 %      |
| Continuation of membership at retirement                  | (10)%   | 2,521,000            | 7,750,500     | 10,271,500 | (10)%    |

### Ex-gratia pension liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2020, 1 pensioners (2019: 1) were eligible for payments in terms of this plan. In-Service members are not eligible.

There is no future-service costs as there are no current in-service members eligible for ex-gratia payments, whereas the interest cost for the year ending 30 June 2021 is estimated to be R 6 257 (2020: R6 918).

|            |   |   |
|------------|---|---|
| Pensioners | 1 | 1 |
|------------|---|---|

The principal assumptions used for the purposes of the actuarial valuations were as follows:

|                     |        |        |
|---------------------|--------|--------|
| i) Rate of interest |        |        |
| Discount rate       | 6.34 % | 7.42 % |

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 20. Employee benefit obligations (continued)

The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.

ii) Post-retirement: PA (90) -1 ultimate mortality table

iii) Actuarial valuation method

The Projected Unit Credit Method has been used to value the liabilities.

The amounts recognised in the Statement of Financial Position are as follows:

|  |         |        |
|--|---------|--------|
| Post-Retirement Housing Subsidy obligation | 104,130 | 98,662 |
|--|---------|--------|

The amount recognised in the Statement of Financial Performance are as follows:

|                                       |               |                 |
|---------------------------------------|---------------|-----------------|
| Interest cost                         | 6,918         | 9,597           |
| Recognised actuarial losses / (gains) | 9,602         | (21,729)        |
|                                       | <b>16,520</b> | <b>(12,132)</b> |

The movement in the defined benefit obligation over the year is as follows:

|                                      |                |               |
|--------------------------------------|----------------|---------------|
| Balance at the beginning of the year | 98,662         | 130,436       |
| Interest: Ex-Gratia                  | 6,918          | 9,597         |
| - Actuarial losses / (gains)         | 9,602          | (21,729)      |
| - Benefits paid                      | (11,052)       | (19,642)      |
|                                      | <b>104,130</b> | <b>98,662</b> |

The table below summarises the accrued liabilities for the current period and the previous four periods:

| Liability History          | 30 June 2016     | 30 June 2017     | 30 June 2018     | 30 June 2019    | 30 June 2020     |
|----------------------------|------------------|------------------|------------------|-----------------|------------------|
| Accrued liability          | 172,862          | 135,913          | 130,436          | 98,662          | 104,130          |
| <b>Surplus / (Deficit)</b> | <b>(172,862)</b> | <b>(135,913)</b> | <b>(130,436)</b> | <b>(98,662)</b> | <b>(104,130)</b> |

The table below summarises the experience adjustments for the current period and the previous periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

| Experience adjustment      | 30 June 2016  | 30 June 2017    | 30 June 2018 | 30 June 2019    | 30 June 2020 |
|----------------------------|---------------|-----------------|--------------|-----------------|--------------|
| Liabilities: (Gain) / Loss | 11,693        | (23,010)        | 7,276        | (30,379)        | 2,649        |
|                            | <b>11,693</b> | <b>(23,010)</b> | <b>7,276</b> | <b>(30,379)</b> | <b>2,649</b> |

#### Sensitivity analysis on the unfunded accrued liability

|                           | Change  | Total liability | % change |
|---------------------------|---------|-----------------|----------|
| Central assumptions       |         | 104,130         |          |
| Discount rate             | 1 %     | 97,662          | (6)%     |
| Discount rate             | (1)%    | 111,430         | 7 %      |
| Post-retirement mortality | -1 year | 107,017         | 3 %      |

#### Sensitivity analysis on the interest cost

|                           | Change  | Interest cost | % change |
|---------------------------|---------|---------------|----------|
| Central assumptions       |         | 6,918         |          |
| Discount rate             | 1 %     | 7,351         | 6 %      |
| Discount rate             | (1)%    | 6,414         | (7)%     |
| Post-retirement mortality | -1 year | 7,099         | 3 %      |



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R        | 2019<br>R        |
|--|------------------|------------------|
| <b>20. Employee benefit obligations (continued)</b>  |                  |                  |
| <b>Long service awards</b>   |                  |                  |
| The municipality's obligation for Long Service Awards is a defined benefit plan. This plan is wholly unfunded as no contributions are made by the municipality into funds that are legally separate from the municipality and from which the employee benefits are paid (each subsequent financial year's expected payments of long service bonuses are budgeted for).   |                  |                  |
| The municipality, in substance, underwrites the actuarial and investment risks associated with the plan. Consequently, the expense recognised for the defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the defined benefit long service allowances is the present value of the defined benefit obligation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and using suitable interest rates. |                  |                  |
| The calculation is performed by registered actuaries using the projected unit credit method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2020.   |                  |                  |
| At year end, 695 (2019: 666) employees were eligible for Long-services awards.   |                  |                  |
| The future service cost for the ensuing year is estimated to be R 1 395 000 (2020: R 1,300,226), whereas the interest cost for the ensuing year is estimated to be R 1 191 000 (2020: R 1,187,988).  |                  |                  |
| The principal assumptions used for the purposes of the actuarial valuations were as follows:   |                  |                  |
| i) Rate of interest  |                  |                  |
| Discount rate  | 7.56 %           | 8.25 %           |
| General salary inflation (long-term)   | 4.11 %           | 5.60 %           |
| Net effective discount rate  | 3.31 %           | 2.51 %           |
| The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping".   |                  |                  |
| The discount rate was determined by deducing from the yield curve from the Bond Exchange of South Africa after the market closed at the reporting date.  |                  |                  |
| ii) Mortality rates  |                  |                  |
| Pre-retirement: SA 85-90 (mixed) ultimate mortality table  |                  |                  |
| iii) Normal retirement age   |                  |                  |
| It has been assumed that in-service members will retire at the average age of 62.  |                  |                  |
| The amounts recognised in the Statement of Financial Position are as follows:  |                  |                  |
| Unfunded Long-Service Awards obligation  | 16,530,603       | 14,906,329       |
| Amounts recognised in the Statement of Financial Performance are as follows:   |                  |                  |
| Current service cost   | 1,300,212        | 1,106,763        |
| Interest cost  | 1,187,988        | 1,117,959        |
| Recognised actuarial losses / (gains)  | (2,245)          | 386,120          |
|  | <b>2,485,955</b> | <b>2,610,842</b> |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R         | 2019<br>R         |
|---|-------------------|-------------------|
| <b>20. Employee benefit obligations (continued)</b>                         |                   |                   |
| The movement in the defined benefit obligation over the year is as follows: |                   |                   |
| Balance at the beginning of the year  | 14,906,329        | 13,851,128        |
| - Current service cost  | 1,300,212         | 1,106,763         |
| - Interest cost   | 1,187,988         | 1,117,959         |
| - Recognised actuarial losses / (gains)                                     | (2,246)           | 386,122           |
| - Benefits paid   | (861,680)         | (1,555,643)       |
|   | <b>16,530,603</b> | <b>14,906,329</b> |

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

| <b>Liability History</b>   | 30 June 2016        | 30 June 2017        | 30 June 2018        | 30 June 2019        | 30 June 2020        |
|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Accrued Liability          | 12,282,188          | 12,601,046          | 13,851,126          | 14,906,329          | 16,530,603          |
| <b>Surplus / (Deficit)</b> | <b>(12,282,188)</b> | <b>(12,601,046)</b> | <b>(13,851,126)</b> | <b>(14,906,329)</b> | <b>(16,530,603)</b> |

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

| <b>Experience adjustment</b> | 30 June 2016     | 30 June 2017     | 30 June 2018   | 30 June 2019   | 30 June 2020   |
|------------------------------|------------------|------------------|----------------|----------------|----------------|
| Liabilities: (Gain) / Loss   | (410,700)        | (201,648)        | 507,158        | 299,587        | 860,755        |
|                              | <b>(410,700)</b> | <b>(201,648)</b> | <b>507,158</b> | <b>299,587</b> | <b>860,755</b> |

| <b>Sensitivity analysis on the unfunded accrued liability</b> | Change   | Liability  | % change |
|---|----------|------------|----------|
| Central assumptions   |          | 16,530,603 |          |
| General salary inflation                                      | 1 %      | 17,660,000 | 7 %      |
| General salary inflation                                      | (1)%     | 15,508,000 | (6)%     |
| Discount rate   | 1 %      | 15,482,000 | (6)%     |
| Discount rate   | (1)%     | 17,708,000 | 7 %      |
| Average retirement age  | -2 years | 14,657,000 | (11)%    |
| Average retirement age  | +2 years | 18,385,000 | 11 %     |
| Withdrawal rates  | (50)%    | 18,949,000 | 15 %     |

| <b>Sensitivity analysis on current-service and interest costs</b> | Change   | Current-service cost | Interest cost | Total     | % change |
|---|----------|----------------------|---------------|-----------|----------|
| Central assumptions   |          | 1,300,200            | 1,188,000     | 2,488,200 |          |
| General salary inflation  | 1 %      | 1,417,300            | 1,277,200     | 2,694,500 | 8 %      |
| General salary inflation  | (1)%     | 1,196,500            | 1,107,700     | 2,304,200 | (7)%     |
| Discount rate   | 1 %      | 1,205,200            | 1,239,400     | 2,444,600 | (2)%     |
| Discount rate   | (1)%     | 1,409,000            | 1,126,100     | 2,535,100 | 2 %      |
| Average retirement age  | -2 years | 1,171,600            | 1,045,500     | 2,217,100 | (11)%    |
| Average retirement age  | +2 years | 1,428,200            | 1,331,900     | 2,760,100 | 11 %     |
| Withdrawal rates  | (50)%    | 1,591,700            | 1,383,400     | 2,975,100 | 20 %     |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 20. Employee benefit obligations (continued)

#### Multi-employer retirement benefit information

Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of GRAP 25, multi-employer plans are defined as defined benefit plans. GRAP 25 also states that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claims that the pensioner data is confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as a defined benefit plan, it will be accounted for as a defined contribution plan.

#### LA Retirement Fund

The LA Retirement Fund's contribution rate payable is 9% by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund is in a sound financial position with a funding level of 100%.

|  |         |         |
|--|---------|---------|
| Contributions paid recognised in the Statements of Financial Performance | 557,879 | 420,548 |
|--|---------|---------|

#### Consolidated Retirement Fund for local government

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 118%.

|  |            |            |
|--|------------|------------|
| Contributions paid recognised in the Statements of Financial Performance | 25,267,915 | 22,110,610 |
|--|------------|------------|

#### Absa Prudential Fund of Funds

Contributions are made to the Absa Prudential Fund of Funds. The fund is managed according to the guidelines as set out in regulation 28 of the Pension Funds Act 1956 and is suitable for retirement funds investments..

|  |   |        |
|--|---|--------|
| Contributions paid recognised in the Statements of Financial Performance | - | 28,436 |
|--|---|--------|

#### Municipal Councillors Pension Fund

Council contribute to the Municipal Council Pension Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 20. Employee benefit obligations (continued)

#### Performance bonuses

The movement on the performance bonus obligation consist of the following:

|   |                  |                  |
|---|------------------|------------------|
| Balance at the beginning of the year                            | 2,740,142        | 2,164,055        |
| Additional performance bonus accrual recognised during the year | 712,406          | 576,087          |
|   | <b>3,452,548</b> | <b>2,740,142</b> |

Performance bonuses are paid to the municipal Manager and section 56 Directors after an evaluation of performance by the council.

#### Staff annual bonus

The movement on the annual bonus accrual consist of the following:

|   |                  |                  |
|---|------------------|------------------|
| Balance at the beginning of the year                | 5,869,179        | 5,414,475        |
| Payments  | (11,309,259)     | (10,268,801)     |
| Additional bonus accrual recognised during the year | 11,883,041       | 10,723,505       |
|   | <b>6,442,961</b> | <b>5,869,179</b> |

Annual bonuses are paid to all staff during November of each year. There is no possibility of reimbursement.

#### Staff leave

The movement on the leave accrual consist of the following:

|   |                   |                   |
|---|-------------------|-------------------|
| Balance at the beginning of the year                      | 19,800,495        | 17,027,202        |
| Payments  | (1,433,740)       | (1,461,828)       |
| Additional staff leave accrual recognised during the year | 4,014,103         | 4,235,121         |
|   | <b>22,380,858</b> | <b>19,800,495</b> |

Staff leave accrues to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or resign. There is no possibility of reimbursement.

### 21. Provisions

#### Reconciliation of provisions - 2020

|               | Opening<br>Balance | Utilised during<br>the year | Unwinding of<br>discount | iGrap2<br>Adjustment | Total      |
|---------------|--------------------|-----------------------------|--------------------------|----------------------|------------|
| Landfill site | 17,180,012         | (509,523)                   | 1,155,833                | (962,294)            | 16,864,028 |

#### Reconciliation of provisions - 2019

|                         | Opening<br>Balance | Unwinding of<br>discount | iGrap2<br>Adjustment | Total             |
|-------------------------|--------------------|--------------------------|----------------------|-------------------|
| Landfill site           | 15,803,192         | 1,116,449                | 260,371              | 17,180,012        |
| Non-current liabilities |                    |                          | 10,824,028           | 11,300,012        |
| Current liabilities     |                    |                          | 6,040,000            | 5,880,000         |
|                         |                    |                          | <b>16,864,028</b>    | <b>17,180,012</b> |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 21. Provisions (continued)

#### Landfill sites

The provision is for the rehabilitation of 2 landfill sites and 2 refuse transfer stations. The municipality discontinued dumping waste within the municipal area and transport all waste to the Petro SA waste disposal site in Mossel Bay.

Rehabilitation cost was estimated using criteria for closure detailed in the Minimum Requirement for Waste Disposal by Landfill. Provision is made in terms of the municipality's licensing stipulations on the landfill waste sites, for the estimated cost of rehabilitating the waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by Aurecon South Africa (Pty) Ltd have been applied.

It is estimated that the rehabilitation process will be finalised in 2021 for the Brenton on sea landfill site and 2026 for the Old place landfill site.

The movement in the provision of the landfill site in the 2020 financial year is due to a new calculation obtained from engineers who calculated the estimate costs to rehabilitate the landfill site. The change in discount rates and estimates also impacted the IGRAP 2 adjustment.

The contribution to the provision is based on the average Consumer Price Index which is calculated at 3.68% (2019: 4.64%).

The cost as at 30 June 2019 has been escalated annually with the average Consumer Price Index until the estimated time of closure and discounted to present value using the relevant South African Government Bond rates. All other adjustments are in line with the provisions of IGRAP 2.

### 22. Construction contracts and receivables

#### Contracts in progress at statement of financial position date

|  |                   |                   |
|--|-------------------|-------------------|
| Construction contracts and receivables         | 20,080,154        | 16,384,629        |
| <b>Amounts due from/(prepaid by) customers</b> |                   |                   |
| Opening balance of Advances Receivable         | 16,384,629        | 10,560,891        |
| Contracted revenue                             | 62,913,747        | 40,647,529        |
| Advances received during the period            | (59,218,222)      | (34,823,791)      |
| Less retentions held *                         | -                 | -                 |
| <b>Total due from /(prepaid by) customers</b>  | <b>20,080,154</b> | <b>16,384,629</b> |

\* Contracts with the Provincial Department and its beneficiaries are not subject to any retention.

The aggregate amount of costs incurred to date is R 439,873,905 (2019: R 376,960,158).

The current year costs are included in contracted services R 57,474,227 and inventory consumed R 5 439 520  
The municipality recognised contracted revenue as the cost incurred.

### 23. Service charges

|                                 |                    |                    |
|---------------------------------|--------------------|--------------------|
| Sale of electricity             | 259,990,687        | 246,030,860        |
| Sale of water                   | 64,144,094         | 68,834,711         |
| Sewerage and sanitation charges | 26,770,818         | 29,980,266         |
| Refuse removal                  | 23,083,568         | 22,100,452         |
|                                 | <b>373,989,167</b> | <b>366,946,289</b> |

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R          | 2019<br>R          |
|--|--------------------|--------------------|
| <b>24. Rental of facilities and equipment</b>                  |                    |                    |
| <b>Premises</b>  |                    |                    |
| Hire of halls  | 94,686             | 145,421            |
| Investment property  | 4,512,057          | 4,169,184          |
|  | <b>4,606,743</b>   | <b>4,314,605</b>   |
| <b>Facilities and equipment</b>                                |                    |                    |
| Rental of equipment  | 39,656             | 46,762             |
| Bulk containers  | 534,618            | 539,934            |
| Caravan park   | 639,297            | 699,625            |
|  | <b>1,213,571</b>   | <b>1,286,321</b>   |
|  | <b>5,820,314</b>   | <b>5,600,926</b>   |
| <b>25. Operational revenue</b>                                 |                    |                    |
| Collection charges   | 2,533,623          | 138,293            |
| Incidental cash surpluses                                      | 2,747              | 2,995              |
| Merchandising, jobbing and contracts                           | 178,682            | 175,835            |
| Request for information - Municipal information and statistics | 6,226              | 450,223            |
| Skills development levy refund                                 | 425,967            | 429,005            |
| Sundries   | 364,435            | 377,729            |
|  | <b>3,511,680</b>   | <b>1,574,080</b>   |
| <b>26. Property rates</b>                                      |                    |                    |
| <b>Rates received</b>  |                    |                    |
| <b>Rateable Land and Buildings</b>                             |                    |                    |
| Residential  | 159,782,395        | 166,983,216        |
| Commercial   | 30,501,044         | 20,126,562         |
| State  | 5,398,015          | 6,406,448          |
| Agricultural / Rural   | 1,142,837          | 882,784            |
| Accommodation  | 19,127,957         | 25,636,158         |
| Church   | 1,825              | 158,051            |
| Light Industrial   | 4,112,304          | 3,865,470          |
| Other - Pensioners etc.  | 247,638            | 1,827,477          |
| <b>Rebates</b>   |                    |                    |
| Less: Income forgone / Rebates                                 | (8,474,981)        | (10,337,575)       |
|  | <b>211,839,034</b> | <b>215,548,591</b> |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|                                       | 2020<br>R         | 2019<br>R         |
|---------------------------------------|-------------------|-------------------|
| <b>26. Property rates (continued)</b> |                   |                   |
| <b>Valuations (R'000)</b>             |                   |                   |
| Residential                           | 22,464,210        | 22,170,833        |
| Commercial                            | 2,150,618         | 2,104,677         |
| State                                 | 609,395           | 616,299           |
| Municipal                             | 384,961           | 395,517           |
| Agricultural / Rural                  | 600,031           | 527,831           |
| Accommodation                         | 1,963,252         | 2,020,831         |
| Church                                | 111,483           | 111,143           |
| Light industrial                      | 273,966           | 276,496           |
| Other - Pensioners etc.               | 565,382           | 289,190           |
| Public benefit and - infrastructure   | 78,517            | 76,814            |
|                                       | <b>29,201,815</b> | <b>28,589,631</b> |

Assessment Rates are levied on the fair market value basis. The last valuation came into effect on 1 July 2017. Revaluations will be undertaken in terms of the Municipal Property Rates Act. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the Rand for domestic properties of R 0.0072969 was charged on the total market value. Businesses were charged at a rate of R 0.0145948 on the total market value.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R 50 000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one percent.

Rates are levied monthly and payable by the last day of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly installments.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R          | 2019<br>R          |
|--|--------------------|--------------------|
| <b>27. Government grants and subsidies</b>   |                    |                    |
| <b>Operating grants</b>  |                    |                    |
| Equitable share  | 86,321,000         | 78,338,000         |
| National: Financial Management Grant (FMG)   | 1,550,000          | 1,550,000          |
| National: Municipal Infrastructure Grant (MIG)   | 1,251,500          | 676,773            |
| National: Energy Efficiency and Demand Side Management Grant (EEDSMG)                    | -                  | 25,250             |
| National: Extended Public Works Program (EPWP)   | 1,497,000          | 1,187,000          |
| Provincial: Other Provincial Grants  | 13,061,429         | 11,818,786         |
| District: Municipal Disaster Recovery Grant  | 417,000            | -                  |
|  | <b>104,097,929</b> | <b>93,595,809</b>  |
| <b>Capital grants</b>  |                    |                    |
| National: Municipal Infrastructure Grant (MIG)   | 26,165,048         | 15,458,883         |
| National: Energy Efficiency and Demand Side Management Grant (EEDSMG)                    | -                  | 5,917,866          |
| National: Integrated National Electrification Program Grant (INEP)                       | 5,013,657          | 5,986,343          |
| Provincial: Integrated Housing and Human Settlement Grant (IHHS)                         | 10,806,693         | 9,970,387          |
| Provincial: Other Provincial Grants  | 309,718            | 7,239,577          |
| National: Neighbourhood Development Partnership Grant (NDPG)                             | 19,590,016         | 8,334,006          |
|  | <b>61,885,132</b>  | <b>52,907,062</b>  |
|  | <b>165,983,061</b> | <b>146,502,871</b> |
| <b>Conditional and Unconditional</b>   |                    |                    |
| Included in above are the following grants and subsidies recognised:                     |                    |                    |
| Conditional grants received  | 79,662,061         | 187,150,401        |
| Unconditional grants received  | 86,321,000         | 78,338,000         |
|  | <b>165,983,061</b> | <b>265,488,401</b> |
| <b>Revenue recognised / expensed per vote as required by Section 123 (c) of the MFMA</b> |                    |                    |
| Equitable share  | 86,321,000         | 78,338,000         |
| Community Services   | 31,745,833         | 24,332,166         |
| Electricity  | 5,013,656          | 11,929,459         |
| Finance  | 1,568,330          | 3,738,215          |
| Planning   | 12,303,693         | 11,157,387         |
| Technical  | 29,030,549         | 17,007,644         |
|  | <b>165,983,061</b> | <b>146,502,871</b> |
| <b>Grants received per directorate during the year (Excluding equitable share)</b>       |                    |                    |
| Community services   | 29,944,918         | 38,211,000         |
| Electricity  | 4,000,000          | 13,000,000         |
| Finance  | 1,929,000          | 3,609,000          |
| Planning   | 12,482,097         | 1,187,000          |
| Technical  | 27,135,000         | 24,594,000         |
|  | <b>75,491,015</b>  | <b>80,601,000</b>  |



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R          | 2019<br>R          |
|--|--------------------|--------------------|
| <b>28. Fines, penalties and forfeits</b>                           |                    |                    |
| Traffic fines  | 88,540,800         | 117,107,749        |
| Property rates penalties   | 5,052,685          | 4,916,947          |
| Other fines  | 558,651            | 490,672            |
|  | <b>94,152,136</b>  | <b>122,515,368</b> |
| <b>29. Public contributions and donations</b>                      |                    |                    |
| Contributed property, plant and equipment                          | 20,850             | 992,584            |
| Knysna fire disaster relief fund                                   | -                  | 584                |
| General public - Mayoral golf day                                  | -                  | 190,000            |
| General public - Millwood museum                                   | 2,928              | 1,398              |
| Public contributions and donations                                 | 107,550            | 30,000             |
|  | <b>131,328</b>     | <b>1,214,566</b>   |
| Conditions still to be met - remain liabilities (see note 9)       |                    |                    |
| <b>30. Employee related costs</b>                                  |                    |                    |
| Salaries and Wages   | 160,495,061        | 144,191,841        |
| Contributions for UIF, Pensions and Medical Aids                   | 44,290,207         | 40,145,501         |
| Travel, motor car, accommodation, subsistence and other allowances | 17,738,402         | 15,478,865         |
| Housing benefits and allowances                                    | 2,816,822          | 2,543,123          |
| Overtime payments  | 17,326,780         | 22,620,672         |
| Performance bonuses  | 704,944            | 640,596            |
| Bonus  | 11,712,769         | 10,658,996         |
| Leave pay provision charge   | 4,014,103          | 4,235,123          |
| Contribution to provision - Long-service awards                    | 1,300,212          | 1,106,763          |
| Contribution to provision - Post Retirement Medical                | 3,024,000          | 3,665,472          |
|  | <b>263,423,300</b> | <b>245,286,952</b> |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R        | 2019<br>R      |
|---|------------------|----------------|
| <b>30. Employee related costs (continued)</b>   |                  |                |
| <b>Remuneration of the Municipal Manager:</b>   |                  |                |
| <b>Remuneration of Municipal Manager - SW Vatala (April 2019 - June 2020)</b>                     |                  |                |
| Annual Remuneration   | 813,973          | 204,464        |
| Car Allowance   | 264,000          | 66,000         |
| Housing Allowance   | 72,000           | 18,000         |
| Scarcity Allowance  | 157,368          | 67,443         |
| Contributions to UIF, Medical and Pension Funds   | 234,291          | 58,844         |
|   | <b>1,541,632</b> | <b>414,751</b> |
| <b>Remuneration of the previous Municipal Manager - JB Douglas (August 2018 - January 2019)</b>   |                  |                |
| Annual Remuneration   | -                | 575,000        |
| Telephone Allowance   | -                | 10,000         |
| Contributions to UIF, Medical and Pension Funds   | -                | 6,594          |
|   | <b>-</b>         | <b>591,594</b> |
| <b>Remuneration of previous Municipal Manager - KAM Chetty (July 2017 - August 2018)</b>          |                  |                |
| Annual Remuneration   | -                | 157,975        |
| Car Allowance   | -                | 15,000         |
| Telephone Allowance   | -                | 12,000         |
| Contributions to UIF, Medical and Pension Funds   | -                | 35,909         |
|   | <b>-</b>         | <b>220,884</b> |
| <b>Remuneration of the Acting Municipal Manager - LA Scheepers (From June 2020)</b>               |                  |                |
| Annual Remuneration   | 61,312           | -              |
| Contributions to UIF, Medical and Pension Funds   | 149              | -              |
|   | <b>61,461</b>    | <b>-</b>       |
| <b>Remuneration of the Acting Municipal Manager - MR Gratz (February 2020 - June 2020)</b>        |                  |                |
| Annual Remuneration   | 385,272          | -              |
| Car Allowance   | 47,872           | -              |
| Contributions to UIF, Medical and Pension Funds   | 2,331            | -              |
|   | <b>435,475</b>   | <b>-</b>       |
| <b>Remuneration of the Acting Municipal Manager - M Boyce (July 2018 - August 2018)</b>           |                  |                |
| Acting Allowance  | -                | 4,985          |
| <b>Remuneration of the Acting Municipal Manager - P Hariparsad (January 2019 - February 2019)</b> |                  |                |
| Acting Allowance  | -                | 10,724         |
| <b>Remuneration of the Acting Municipal Manager - POB Makoma (February 2019 - March 2019)</b>     |                  |                |
| Acting Allowance  | -                | 15,283         |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R        | 2019<br>R        |
|---|------------------|------------------|
| <b>30. Employee related costs (continued)</b>   |                  |                  |
| <b>Remuneration of the Director Financial Services:</b>   |                  |                  |
| <b>Remuneration of the Director Financial Services -Mr M Memani</b>   |                  |                  |
| Annual Remuneration   | 871,627          | 809,119          |
| Car Allowance   | 120,000          | 120,000          |
| Bonuses   | 60,000           | 188,374          |
| Telephone allowance   | 22,800           | 22,792           |
| Contributions to UIF, Medical and Pension Funds   | 192,162          | 182,032          |
| Scarcity allowance  | 159,907          | 206,562          |
|   | <b>1,426,496</b> | <b>1,528,879</b> |
| <br><b>Remuneration of the Director Planning and Development:</b>   |                  |                  |
| <b>Remuneration of the Director Planning and Development - Ms M Boyce (February 2017 - 30 June 2020)</b>            |                  |                  |
| Annual Remuneration   | 941,636          | 882,423          |
| Car Allowance   | 60,000           | 60,000           |
| Performance Bonuses   | 125,081          | 206,562          |
| Contributions to UIF, Medical and Pension Funds   | 244,069          | 231,748          |
| Telephone allowance   | 22,800           | 22,792           |
| Scarcity Allowance  | 159,907          | -                |
|   | <b>1,553,493</b> | <b>1,403,525</b> |
| <br><b>Remuneration of the Acting Director Planning and Development - E Phillips (August 2018 - September 2018)</b> |                  |                  |
| Acting Allowance  | -                | 4,916            |
| <br><b>Remuneration of the Director Technical Services:</b>   |                  |                  |
| <b>Remuneration of the Director Technical Services - P Hariparsad (From October 2018)</b>                           |                  |                  |
| Annual Remuneration   | 946,590          | 709,943          |
| Car Allowance   | 156,000          | 117,000          |
| Scarcity Allowance  | 128,636          | 165,389          |
| Contributions to UIF, Medical and Pension Funds   | 36,739           | 31,399           |
|   | <b>1,267,965</b> | <b>1,023,731</b> |
| <br><b>Remuneration of the acting Director Technical Services - R Parry (June 2018 - September 2018)</b>            |                  |                  |
| Acting Allowance  | -                | 71,618           |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R        | 2019<br>R        |
|---|------------------|------------------|
| <b>30. Employee related costs (continued)</b>   |                  |                  |
| <b>Remuneration of the Director Corporate Services:</b>   |                  |                  |
| <b>Remuneration of the Director Corporate Services - POB Makoma (September 2018 - 30 June 2020)</b>                                 |                  |                  |
| Annual Remuneration   | 818,598          | 684,440          |
| Car Allowance   | 94,128           | 78,440           |
| Scarcity Allowance  | 128,636          | 183,765          |
| Contributions to UIF, Medical and Pension Funds   | 221,520          | 186,142          |
|   | <b>1,262,882</b> | <b>1,132,787</b> |
| <b>Remuneration of the Acting Director Corporate services - M Memani (July 2018 - August 2018)</b>                                  |                  |                  |
| Acting Allowance  | -                | 13,436           |
| <b>Remuneration of the Director Community Services</b>  |                  |                  |
| <b>Remuneration of the Director Community Services - E Phillips (1 July 2019 - 30 June 2020)</b>                                    |                  |                  |
| Annual Remuneration   | 773,798          | -                |
| Car Allowance   | 135,600          | -                |
| Scarcity Allowance  | 128,636          | -                |
| Contributions to UIF, Medical and Pension Funds   | 225,218          | -                |
| Acting allowance  | -                | 5,843            |
|   | <b>1,263,252</b> | <b>5,843</b>     |
| <b>Remuneration of the Director Community Services - G Boshoff (October 2018 - March 2019)</b>                                      |                  |                  |
| Annual Remuneration   | -                | 432,329          |
| Car Allowance   | -                | 27,083           |
| Contributions to UIF, Medical and Pension Funds   | -                | 17,843           |
|   | <b>-</b>         | <b>477,255</b>   |
| <b>Remuneration of the Acting Director Community Services - X Frans (July 2018 - September 2018)</b>                                |                  |                  |
| Acting Allowance  | -                | 70,940           |
| <b>Remuneration of the Acting Director Community Services - Mr R Meyer (July 2017 - October 2017) and (March 2018 to June 2018)</b> |                  |                  |
| Acting Allowance  | -                | 22,419           |
| <b>Remuneration of the Director Housing</b>   |                  |                  |
| <b>Remuneration of the Director Housing - VJ Mkungwana (May 2019 - June 2020)</b>   |                  |                  |
| Annual Remuneration   | 1,060,484        | -                |
| Car Allowance   | 120,000          | -                |
| Contributions to UIF, Medical and Pension Funds   | 62,009           | -                |
|   | <b>1,242,493</b> | <b>-</b>         |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R        | 2019<br>R        |
|--|------------------|------------------|
| <b>31. Remuneration of councillors</b> |                  |                  |
| Councillor - H Stroebe                 | 253,177          | -                |
| Councillor - L Opperman                | 171,005          | -                |
| Councillor - S Arends                  | -                | 35,639           |
| Councillor - CD Croutz                 | 538,894          | 298,752          |
| Councillor - L Davis                   | 296,752          | 428,923          |
| Councillor - TM Gombo                  | 695,135          | 401,698          |
| Councillor - SI Kwinana                | 293,952          | 293,952          |
| Councillor - MG Matiwane               | 377,391          | 299,752          |
| Councillor - MV Molosi                 | -                | 29,947           |
| Councillor - PJ Myers                  | 312,103          | 655,684          |
| Councillor - MN Naki                   | 293,152          | 297,952          |
| Councillor - D Pofadder                | 87,896           | 298,752          |
| Councillor - MW Salaze                 | 628,609          | 655,684          |
| Councillor - MD Skosana                | 538,894          | 298,752          |
| Councillor - ER Bouw - Spies           | -                | 279,746          |
| Councillor - NA Tsengwa                | 693,400          | 316,576          |
| Councillor - L Tyokolo                 | 293,152          | 293,952          |
| Councillor - EO Van Aswegen            | 321,001          | 677,876          |
| Councillor - V Waxa                    | -                | 122,007          |
| Councillor - ACF Weideman              | 302,752          | 298,752          |
| Councillor - M Willemse                | 218,037          | 866,349          |
| Councillor - GR Wolmarans              | 302,752          | 665,646          |
| Councillor - MH Young                  | -                | 123,636          |
| Councillor - IS Uys                    | 388,350          | 265,078          |
| Councillor - TC Matika                 | 538,359          | 201,739          |
| Councillor - ML Wasserman              | 266,825          | 349,683          |
| Councillor - SS Ngqezu                 | 296,752          | 113,048          |
|  | <b>8,108,340</b> | <b>8,569,575</b> |

### 2020 - Remuneration paid to councillors can be summarised as follows

|                           | Annual Remuneration | Car Allowance    | Telephone Allowance | Medical Aid   | Pension        | Total            |
|---------------------------|---------------------|------------------|---------------------|---------------|----------------|------------------|
| Executive Mayor           | 192,462             | 64,154           | 13,700              | -             | -              | 270,316          |
| Executive deputy mayor    | 489,452             | 99,330           | 31,200              | -             | 73,418         | 693,400          |
| Speaker                   | 417,291             | 165,550          | 31,200              | 18,500        | 62,594         | 695,135          |
| Mayoral Committee Members | 1,944,797           | 410,352          | 155,800             | 19,696        | 118,497        | 2,649,142        |
| Councillors               | 2,941,543           | 290,726          | 460,191             | 13,471        | 94,416         | 3,800,347        |
|                           | <b>5,985,545</b>    | <b>1,030,112</b> | <b>692,091</b>      | <b>51,667</b> | <b>348,925</b> | <b>8,108,340</b> |

### 2019 - Remuneration paid to councillors can be summarised as follows

|                           | Annual Remuneration | Car Allowance    | Telephone Allowance | Medical Aid   | Pension        | Total            |
|---------------------------|---------------------|------------------|---------------------|---------------|----------------|------------------|
| Executive Mayor           | 620,812             | 206,937          | 38,600              | -             | -              | 866,349          |
| Executive deputy mayor    | 487,011             | 158,197          | 36,000              | -             | 4,762          | 685,970          |
| Speaker                   | 490,079             | 165,550          | 36,000              | 1,348         | 5,223          | 698,200          |
| Mayoral Committee Members | 1,744,478           | 201,930          | 142,900             | 14,373        | 121,446        | 2,225,127        |
| Councillors               | 3,116,772           | 348,516          | 474,392             | 61,325        | 92,924         | 4,093,929        |
|                           | <b>6,459,152</b>    | <b>1,081,130</b> | <b>727,892</b>      | <b>77,046</b> | <b>224,355</b> | <b>8,569,575</b> |

### 32. Bad debts written off

|                       |            |            |
|-----------------------|------------|------------|
| Bad debts written off | 47,531,752 | 18,238,510 |
|-----------------------|------------|------------|

Bad debts written off relates to historical debt on water services for all households, excluding the Councillors and municipal officials. This has been unanimously resolved at a special council meeting (SC02/07/19) on 29 July 2019.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R         | 2019<br>R          |
|---|-------------------|--------------------|
| <b>33. Debt impairment</b>  |                   |                    |
| Receivables from exchange transactions - Refer to note 5  | (18,063,203)      | 16,463,009         |
| Receivables from non-exchange transactions - Refer to note 6  | 94,857,473        | 102,936,575        |
| Contributions from Value Added Tax - Refer to note 8  | (1,852,118)       | (1,602,443)        |
|   | <b>74,942,152</b> | <b>117,797,141</b> |
| <b>34. Depreciation and amortisation</b>  |                   |                    |
| Property, plant and equipment   | 34,900,498        | 32,988,600         |
| Investment property   | 143,839           | 156,532            |
| Intangible assets   | 18,418            | 18,418             |
|   | <b>35,062,755</b> | <b>33,163,550</b>  |
| <b>35. Impairment of assets</b>   |                   |                    |
| <b>Impairments</b>  |                   |                    |
| Property, plant and equipment   | (962,294)         | 260,370            |
| <b>Impairment losses / (gains) recognised on IGRAP2 adjustments</b>   |                   |                    |
| <b>Property, plant and equipment</b>  |                   |                    |
| Other assets - Tip sites  | (962,294)         | 260,370            |
| <p>The recoverable amount of the asset impaired was based on its value in use.<br/> The impairment loss / (gain) recognised for Property, Plant and Equipment relates to rehabilitation cost associated with landfill sites capitalised in terms of IGRAP 2. The portion being impaired relates to the fact that all landfill sites in the municipality already reached the end of its useful life. No further economic benefits is expected from these assets.</p> |                   |                    |
| <b>36. Finance costs</b>  |                   |                    |
| Annuity loans   | 18,031,501        | 15,144,789         |
| Finance leases  | 668,915           | 238,617            |
| Ex-Gratia Pension Funds   | 6,918             | 9,597              |
| Landfill Sites  | 1,155,834         | 1,116,449          |
| Long Service Awards   | 1,187,988         | 1,117,959          |
| Post Retirement Medical Benefits  | 8,366,300         | 8,641,763          |
| Other   | 34,209            | 38,890             |
|   | <b>29,451,665</b> | <b>26,308,064</b>  |
| <b>37. Lease rentals from operating leases</b>  |                   |                    |
| Premises  | 5,440,040         | 5,850,013          |
| Machinery and equipment operational hire charges  | 5,276,433         | 4,398,321          |
|   | <b>10,716,473</b> | <b>10,248,334</b>  |
| <b>38. Bulk purchases</b>   |                   |                    |
| Electricity   | 188,257,343       | 169,553,269        |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R          | 2019<br>R          |
|--|--------------------|--------------------|
| <b>39. Contracted services</b>                         |                    |                    |
| <b>Consultants and Professional Services</b>           |                    |                    |
| Business and Advisory: Project Management              | 3,366,390          | 2,462,122          |
| Business and Advisory: Business and Financial Services | 2,395,732          | 7,555,283          |
| Business and Advisory: Valuer and Assessors            | 354,488            | 403,232            |
| Business and Advisory: Other                           | 3,940,043          | 6,942,513          |
| Infrastructure and Planning: Engineering               | 2,871,496          | 9,187,589          |
| Infrastructure and Planning: Other                     | 226,999            | 2,738,082          |
| Legal costs  | 9,934,847          | 6,439,111          |
| Other  | 9,037              | 17,348             |
| <b>Contractors</b>                                     |                    |                    |
| Building   | 58,605,454         | 36,604,897         |
| Electrical   | 1,430,644          | 4,121,633          |
| Tourism  | 4,300,000          | 3,002,164          |
| Maintenance  | 54,530,143         | 39,621,873         |
| Management of Informal Settlements                     | 4,177,847          | 7,054,451          |
| Prepaid Electricity Vendors                            | 6,816,056          | 7,031,512          |
| Sewerage Services                                      | 4,961,629          | 1,454,349          |
| Other  | 3,227,012          | 6,088,819          |
| <b>Outsourced Services</b>                             |                    |                    |
| Administrative and Support Staff                       | 3,000,686          | 5,058,571          |
| Business and Advisory                                  | 3,818,481          | 2,315,699          |
| Clearing and Grass Cutting Services                    | 741,161            | 2,584,993          |
| Internal Auditors                                      | 243,214            | 1,811,133          |
| Meter Management                                       | 1,948,215          | 2,070,727          |
| Refuse Removal   | 811,121            | 6,259,292          |
| Security Services                                      | 9,055,316          | 8,490,579          |
| Traffic Fines Management                               | 2,153,560          | 2,520,439          |
| Alien Vegetation Control                               | 710,178            | 879,542            |
| Litter Picking and Street Cleaning                     | 3,713,653          | 3,167,893          |
| Other  | 1,195,131          | 1,852,936          |
|  | <b>188,538,533</b> | <b>177,736,782</b> |
| <b>40. Transfers and subsidies</b>                     |                    |                    |
| <b>Other subsidies</b>                                 |                    |                    |
| Grants-in-aid and donations                            | 447,724            | 2,252,304          |
| Bursaries  | -                  | 489,215            |
| Social relief  | 1,964,248          | 1,409,646          |
|  | <b>2,411,972</b>   | <b>4,151,165</b>   |
| <b>41. Inventory consumed</b>                          |                    |                    |
| Consumables - Standard rated                           | 17,278,671         | 16,077,478         |
| Consumables - Zero rated                               | 10,285,093         | 9,003,038          |
| Materials and supplies                                 | 13,053,670         | 18,009,294         |
|  | <b>40,617,434</b>  | <b>43,089,810</b>  |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R         | 2019<br>R         |
|---|-------------------|-------------------|
| <b>42. Operational costs</b>                |                   |                   |
| Advertising and media                       | 1,086,162         | 1,946,973         |
| Auditors remuneration                       | 5,813,406         | 4,677,252         |
| Bank charges                                | 1,550,138         | 1,810,723         |
| Commission paid                             | -                 | 314,949           |
| Clearing of alien vegetation                | 492,500           | 112,887           |
| Delivery expenses                           | 1,328,465         | 1,451,881         |
| Entertainment                               | 3,499             | 14,994            |
| Hire  | 1,948,246         | 2,130,925         |
| IT expenses                                 | 8,595,658         | 5,759,195         |
| Insurance                                   | 4,510,400         | 3,750,275         |
| Levies                                      | 2,178,034         | 2,449,382         |
| Other expenses                              | 4,551,354         | 4,703,098         |
| Printing, publications and books            | 212,874           | 587,588           |
| Staff related (recruitment, training, etc.) | 771,142           | 2,598,153         |
| Subscriptions and membership fees           | 2,891,966         | 4,740,417         |
| Title deed search fees                      | 63,688            | 94,296            |
| Travel - local                              | 1,295,185         | 2,142,196         |
|   | <b>37,292,717</b> | <b>39,285,184</b> |

Other expenses largely include costs incurred relating refuse removal.

## 43. Cash generated from operations

|   |                   |                    |
|---|-------------------|--------------------|
| Surplus   | 32,396,767        | 47,884,725         |
| <b>Adjustments for:</b>                               |                   |                    |
| Depreciation and amortisation                         | 35,062,755        | 33,163,550         |
| Loss / (gain) on sale of assets and liabilities       | (313,527)         | 4,098,141          |
| Impairment loss                                       | (962,294)         | 260,370            |
| Debt impairment                                       | 74,942,152        | 117,797,141        |
| Movements in operating lease assets and accruals      | (236,737)         | (42,899)           |
| Movements in employee benefit obligations             | (1,524,516)       | 3,880,333          |
| Movements in provisions (excluding IGRAP2 adjustment) | 646,309           | 1,116,449          |
| Bad debts written off                                 | 47,531,752        | 18,238,510         |
| Public contributions and donations                    | (20,850)          | (992,584)          |
| Grants and conditional public contributions received  | 146,374,551       | 158,803,534        |
| Grants paid   | (165,983,062)     | (146,502,871)      |
| <b>Changes in working capital:</b>                    |                   |                    |
| Inventories   | 2,158,080         | (4,771,940)        |
| Receivables from exchange transactions                | 16,496,733        | (36,486,607)       |
| Other receivables from non-exchange transactions      | (135,071,968)     | (115,208,299)      |
| Prepayments   | 1,993,587         | (91,518)           |
| Construction contracts and receivables                | (3,695,525)       | (5,823,738)        |
| Payables from exchange transactions                   | 23,786,376        | 17,190,047         |
| VAT   | (1,219,685)       | 7,602,511          |
| Consumer deposits                                     | 239,210           | 536,285            |
|   | <b>72,600,108</b> | <b>100,651,140</b> |



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R            | 2019<br>R          |
|---|----------------------|--------------------|
| <b>44. Financial instruments disclosure</b>   |                      |                    |
| <b>Categories of financial instruments</b>  |                      |                    |
| <b>2020</b>   |                      |                    |
| <b>Financial assets</b>   |                      |                    |
|   | At amortised<br>cost | Total              |
| <b>Unpaid conditional grants</b>  | 14,212,889           | 14,212,889         |
| <b>Long-term investments and receivables</b>  |                      |                    |
| Fixed deposits  | 10,807,418           | 10,807,418         |
| Sundry deposits   | 6,800                | 6,800              |
| Construction contracts and receivables  | 20,080,154           | 20,080,154         |
| <b>Receivables from exchange transactions</b>   |                      |                    |
| Service debtors   | 59,083,032           | 59,083,032         |
| Housing rentals   | 784,919              | 784,919            |
| Other debtors   | 2,677,092            | 2,677,092          |
| Cash and cash equivalents   | 79,293,624           | 79,293,624         |
|   | <b>186,945,928</b>   | <b>186,945,928</b> |
| <b>Financial liabilities</b>  |                      |                    |
|   | At amortised<br>cost | Total              |
| <b>Other financial liabilities</b>  |                      |                    |
| Annuity loans   | 244,280,767          | 244,280,767        |
| Trade and other payables from exchange transactions (Excl payments received in advance) | 122,764,761          | 122,764,761        |
| Consumer deposits   | 13,163,571           | 13,163,571         |
| Finance lease obligation  | 10,887,444           | 10,887,444         |
|   | <b>391,096,543</b>   | <b>391,096,543</b> |
| <b>2019</b>   |                      |                    |
| <b>Financial assets</b>   |                      |                    |
|   | At amortised<br>cost | Total              |
| <b>Unpaid conditional grants</b>  | 14,391,295           | 14,391,295         |
| <b>Long-term investments and receivables</b>  |                      |                    |
| Fixed deposits  | 34,491,331           | 34,491,331         |
| Sundry deposits   | 6,800                | 6,800              |
| Construction contracts and receivables  | 16,384,629           | 16,384,629         |
| <b>Receivables from exchange transactions</b>   | -                    | -                  |
| Service debtors   | 57,047,537           | 57,047,537         |
| Housing rentals   | 1,128,471            | 1,128,471          |
| Other debtors   | 950,452              | 950,452            |
| Cash and cash equivalents   | 71,709,029           | 71,709,029         |
|   | <b>196,109,544</b>   | <b>196,109,544</b> |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R            | 2019<br>R          |
|---|----------------------|--------------------|
| <b>Financial instruments disclosure (continued)</b>                                     |                      |                    |
| <b>Financial liabilities</b>  |                      |                    |
|   | At amortised<br>cost | Total              |
| <b>Other financial liabilities</b>  |                      |                    |
| Annuity loans   | 197,578,312          | 197,578,312        |
| Trade and other payables from exchange transactions (Excl payments received in advance) | 101,114,524          | 101,114,524        |
| Consumer deposits   | 12,924,361           | 12,924,361         |
| Finance lease obligation  | 1,316,257            | 1,316,257          |
|   | <b>312,933,454</b>   | <b>312,933,454</b> |

### 45. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

|                  |                    |                    |
|------------------|--------------------|--------------------|
| • Infrastructure | 132,001,792        | 90,755,333         |
| • Community      | 10,950,352         | 27,190,319         |
| • Other Assets   | -                  | 3,572,713          |
|                  | <b>142,952,144</b> | <b>121,518,365</b> |

##### This expenditure will be financed from:

|                   |                    |                    |
|-------------------|--------------------|--------------------|
| External loans    | 44,968,810         | 21,519,435         |
| Government grants | 67,543,087         | 99,779,344         |
| Own resources     | 30,440,247         | 219,586            |
|                   | <b>142,952,144</b> | <b>121,518,365</b> |

Amounts accrued for under retentions were incorrectly previously included as part of the capital commitments. The comparative disclosure for capital commitments was amended from the previous year disclosure.

The commitments are disclosed VAT exclusive.

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

|                   |   |           |
|-------------------|---|-----------|
| - within one year | - | 3,102,435 |
|-------------------|---|-----------|

The municipality also leases printers from Konica Minolta and Bytes, refer to note 17

The municipality did not pay any contingent rent during the year.

The municipality does not engage in any sub-lease arrangements.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R         | 2019<br>R         |
|--|-------------------|-------------------|
| <b>45. Commitments (continued)</b>           |                   |                   |
| <b>Operating leases - as lessor (income)</b> |                   |                   |
| <b>Minimum lease payments due</b>            |                   |                   |
| - within one year                            | 124,710           | 507,821           |
| - in second to fifth year inclusive          | 544,886           | 531,316           |
| - later than five years                      | 10,988,743        | 11,127,024        |
|  | <b>11,658,339</b> | <b>12,166,161</b> |

This lease income was determined from contracts that have a specific conditional contractual income. The leases are in respect of land and buildings being leased for periods ranging until 2088.

The municipality does not engage in any sub-lease arrangements. The municipality did not receive any contingent rent during the year.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R  | 2019<br>R  |
|---|------------|------------|
| <b>46. Contingencies</b>  |            |            |
| <b>Contingent liabilities</b>   |            |            |
| The municipality is currently engaged in litigation which could result in damages / costs being awarded against Council if claimants are successful in their actions. The following are the estimates:  |            |            |
| <b>Claims against council</b>   |            |            |
| PL Bruwer vs The RAF and KM (Case no. 72310/2012) . The municipality is the second respondent in a claim for personal injury due to a road accident.  | 1,000,000  | 1,000,000  |
| Thabo Pitsi Mabula vs KM and 1 other (Case no. 21933/16). This is a High Court litigious matter. Status: Plaintiff appointed an attorney of record.   | 20,500,000 | 20,500,000 |
|   | -          |            |
| KM vs Brenton Haven - Claim in terms of Services Agreement for municipal services provided. (excluding interest)  | 1,008,341  | 906,987    |
| KM vs Erf 4970, Sedgefield Objections against approval of building plans  | -          | 20,000     |
| Garth Bock vs KM - Alleged breach of contract in respect of the upgrading of the ablution facilities at the Hornlee Sportsgrounds (Damages claim)   | 184,095    | 184,905    |
| Thabo Pitsi Mabula vs KM and 1 other (Case no. 21937/16). This is a High Court litigious matter . Status: Plaintiff proceedings to trial.   | 21,400,000 | 21,400,000 |
| KM vs Erf 13193, Thesen Island Review Application i.t.o Rule 53. Review of Land Use Planning Approval of Departures and Approval of Building Plans.   | -          | 150,000    |
| Aubrey Tsengwa vs KM and two others (LAC Case no. CA1/2016). This is a labour courtmatter against the Knysna Municipality. Status: Matter taken on appeal after KM was successful in opposing the Labour Court proceedings.                   | 1,000,000  | 1,000,000  |
| RDH Gebert & 8 others / Yo-Art Properties (Pty) Ltd vs Knysna Municipality- is pending and it is unclear whether it will proceed or not. Amount claimed in the Summons in the High Court matter.  |            | 2,946,332  |
| Dr N Greve vs. M Mueller and KM (Interdict) - Dr Greve, as Applicant, sought an order interdicting the First Respondent from operating a guest house with the necessary consent.  | 230,000    | 230,000    |
| Entsha Henra vs KM - The claimant had instituted arbitration proceedings seeking payments from KM in respect of time related vis-a vis works attended by them Tenders T15 and T18 of 2015   | 35,000     | 35,000     |
| KM vs Ballack (Erf 4) - KM filed an application in the CT high court seeking an order against the owners of Erf 4, Knysna to demolish certain unlawful structures.  | -          | 15,000     |
| Thabo Pitsi Mabula vs KM and two others (LC Case no. 955/2015). This is a labour court matter against the KM.   | 1,000,000  | 1,000,000  |
| Rotter vs KM - The plaintiff instituted action against KM for damages together with interest and costs resultant from injuries suffered after a manhole cover collapsed.  | 565,000    | 565,000    |
| MG Parkin and Twenty Others vs Knysna Local Municipality. Action proceedings in the Western Cape High Court, case no 5855/20. Damages claims by Twenty Plaintiffs arising from the fire that allegedly started at Elandskraal on 7 June 2017. | 18,231,184 | -          |
|   |            |            |
| KM vs Erf 3651, Sedgefield Demolition and/or removal of an illegal cellular communications base station and mast from Erf 3651, Sedgefield  | -          | 500,000    |
| Kamashabe B & E Projects & others // Knysna Municipality  | 5,400,000  | -          |
| Velile Waxa // Independent Electoral Commission and others.   | 600,000    | -          |
| KM vs M & N Pako Ref VC1517 Eviction of defendants from Hlalani   | -          | 20,000     |
| KM vs Collin Williams Ref: VC1538 Eviction from Oupad   | -          | 30,000     |
|   |            |            |
| Trackstar Trading Pty Ltd vs Knysna Municipality. KM refusal of Trackstar's LUPO application for rezoning, sub-division and departure   | 1,700,000  | 900,000    |
| Eskom Holding Soc Limited // Knysna Municipality  | 500,000    | -          |
| KM vs Great Cormorant 169 Outstanding rates and taxes   | 135,000    | 135,000    |
| D Adonis and 5 others vs Knysna Municipality (Labour court matter). Potential legal cost estimation for outstanding bonuses claimed against the municipality.   | 2,442,914  | 1,200,000  |
| KM vs Radie Dippenaar Outstanding Medical Subscriptions   | 140,000    | 120,000    |
| KM vs Erf 426 Boggomsbaai CC REF ES1179 Outstanding rates and taxes   | 158,980    | 158,980    |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R         | 2019<br>R         |
|---|-------------------|-------------------|
| <b>46. Contingencies (continued)</b>  |                   |                   |
| Dirk Claassen Family Trust  | 2,400,000         | -                 |
| Ambrose Trading (PTY) Ltd t/a Food lovers & 9 others// Knysna Municipality an 3 others Case No: 1347/19 | 1,000,000         | -                 |
| KM vs Erf 426 Boggomsbaai CC REF ES1396   | 20,000            | 20,000            |
| KM vs Fish Eagle Property Holdings (Pty) Ltd Ref ES1444 Long Outstanding debt                           | -                 | 4,000             |
| KM vs Marina REF: ES1645 Outstanding rates and taxes  | 65,000            | 65,000            |
| KM vs CF & LM Guthrie Outstanding rates and taxes   | 65,000            | 65,000            |
| KM vs John Mettelerkamp and Others  | -                 | 15,000            |
| KM vs Dorothy Harker and other Eviction   | -                 | 150,000           |
| KM vs Myles Bertrand Dent   | 56,821            | 70,000            |
| KM vs Pezula HOA (Noetzie) - Dispute re ownership and control over public road                          | -                 | 30,000            |
| KM vs Birgit Christine Lutzen   | 4,800,000         | -                 |
|   | <b>84,637,335</b> | <b>53,436,204</b> |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
| <b>46. Contingencies (continued)</b>   |           |           |
| <b>Contingent assets</b>   |           |           |
| <b>2019</b>  |           |           |
| <p>There are a number of properties that is registered in the name of the Garden Route District Municipality, that are in the jurisdiction of the Knysna Municipality. This was previously disclosed as contingent assets as the Knysna Municipality engaged and declared a dispute with the Garden Route District Municipality of the ownership of these properties. Several legal advises and opinions were sought by both the Garden Route District Municipality and Knysna Municipality since 2012 without tangible resolutions in previous years. Progress were however made during the current year between the mentioned municipalities, where it was resolved and agreed that these properties are registered in the name of the Garden Route District Municipality. Both Municipalities agreed that the formal dispute resolution procedure will be the last resort. Given the outcomes and resolution of the engagements during the year, the Garden Route District Municipality will not be disclosing the properties as contingent liabilities and Knysna Municipality will not be disclosing it as contingent assets anymore.</p> |           |           |
| <b>2020</b>  |           |           |
| <p>It has been unanimously resolved at the council meeting (C09/08/2020) dated 6 August 2020 that the Acting Municipal Manager be instructed to address correspondence to the Garden Route District Municipality to request the transfer of the following properties to the Knysna Municipality estimated to the value of R 64 080 000.</p> <ol style="list-style-type: none"><li>1. Portions 1, 2 &amp; 3 of the Farm Walker's point (R20 200 000)</li><li>2. Erf 2790, Knysna (R2 900 0000)</li><li>3. Erf 20,21,22 Belvidere (R460 000 ; R460 000; R460 000)</li><li>4. Portion 22 of the farm Westford (R600 000)</li><li>5. Portion 0,1 and 2 of the farm 185 George; (R39 000 000)</li></ol>   |           |           |
| <p>Should the Garden Route District Municipality fail to respond to the Correspondence and/ accede to the request referred to above, within 21 days of receipt thereof, the Acting Municipal Manager be authorized to serve a formal IGR Notice in terms of Section 41 of the Intergovernmental Relations Framework Act 13 of 2005;</p>  |           |           |
| <p>Should the IGR Notice in terms of Section 41 of the Intergovernmental Relations Framework Act 13 of 2005 referred above, be served on the Garden Route District Municipality, the Acting Municipal Manager disclose the assets as contingent liabilities in the Annual Financial Statements;</p>  |           |           |
| <p>On 4 September 2020 a formal notification was given to the Municipal Manager of the Garden Route District Municipality with regards to the dispute of the abovementioned properties.</p>  |           |           |
| <p>The notification was made on the basis that the parties have attempted to negotiate a resolution of the dispute and have not been successful in achieving settlement and have complied with the provisions of the Intergovernmental Relations Framework Act 13 of 2005, in that the parties have conducted various negotiations on the above commencing on or during 20 June 2012, with the last engagement being held on or about 15 May 2019.</p>   |           |           |
| <p>The Knysna Municipality wished to convene a meeting in terms of Section 42(1) of the Intergovernmental Relations Framework Act at a date and time convenient to all relevant stakeholders. No meeting was held till date of the Annual financial statements.</p>  |           |           |
| <b>Scarce Skills Allowances</b>  |           |           |
| <p>At a special council meeting (SC03/02/2020) in February 2020, it has been unanimously resolved that all Scarce Skills Allowances paid to the Municipal Manager and the Managers directly accountable to the Municipal Manager in terms of the Scarce Skills Policy be recovered and that the MEC : Local Government be advised that Council do not oppose the court application (C 2667/2020) and will abide by the decision of the court.</p>  |           |           |
| <p>The possible recoverable estimated amount is R 1,6 mil.</p>   |           |           |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 47. Related parties

|                           |   |
|---------------------------|---|
| Relationships             |   |
| Councillors               | Refer to the General information  |
| Municipal Manager         | Refer to the General information  |
| Members of key management | Director Community Services<br>Director Corporate Services<br>Director Financial Services<br>Director Planning and Development<br>Director Technical Services |

### Related party transactions

| Year ended 30 June 2020                    | Rates levied  | Service charges levied | Other charges levied | Outstanding balance at year end |
|--|---------------|------------------------|----------------------|---------------------------------|
| Councillors                                | 23,074        | 102,050                | 10,711               | 35,733                          |
| Municipal Manager and Section 56 Personnel | 14,813        | 68,029                 | 199,422              | 21,171                          |
|  | <b>37,887</b> | <b>170,079</b>         | <b>210,133</b>       | <b>56,904</b>                   |

  

| Year ended 30 June 2019                    | Rates levied  | Service charges levied | Other charges levied | Outstanding balance at year end |
|--|---------------|------------------------|----------------------|---------------------------------|
| Councillors                                | 64,105        | 207,015                | 20,480               | 47,840                          |
| Municipal Manager and Section 56 Personnel | 8,222         | 23,103                 | 58,618               | -                               |
|  | <b>72,327</b> | <b>230,118</b>         | <b>79,098</b>        | <b>47,840</b>                   |

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents. All transactions are at arm's length.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

### Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 4 to the Annual Financial Statements.

### Compensation of key management personnel

The compensation of key management personnel is set out in note 30 to the Annual Financial Statements.

### Other Supply Chain Transactions

The following purchases were made during the year where Councillors or Staff have an interest:

| Councillor/Staff member                            | Relationship   | Entity                               | 2020    | 2019    |
|--|----------------|--------------------------------------|---------|---------|
| Mr. R Bouwer (Stores Clerk)                        | Father-in-law  | JC Terblance t/a P&H Services        | 448,732 | 753,308 |
| Ms. S Mtwla (Chief clerk: Administration)          | Mother         | LT Mtwla                             | -       | 4,250   |
| Ms. TS Guzana-Tseke (Senior Clerk: Records)        | Spouse         | Tseke Transport and Shuttle Services | 1,900   | 7,300   |
| Mr N Siyona (Supervisor: Roads)                    | Wife           | Nokamboze                            | -       | 1,850   |
| Ms. N Mlisana ( Procurement Clerk)                 | Brother        | Mtimkulu: S                          | 79,250  | 91,300  |
| Mr. C Hardnick (Senior Supervisor - Parks)         | Brother        | FK Hardnick                          | -       | 11,000  |
| Ms. L Plaatjies (Network and system administrator) | Brother-in-law | MM Jantjies (Transport)              | -       | 4,996   |
| Ms. S Fourie (SCM clerk)                           | Uncle          | Julyan D                             | 14,800  | 5,700   |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   |                |                                    | 2020<br>R        | 2019<br>R        |
|---|----------------|------------------------------------|------------------|------------------|
| <b>47. Related parties (continued)</b>  |                |                                    |                  |                  |
| Ms. LV Bruiners (Motor vehicle registration clerk)                            | Brother        | Witbooi C                          | -                | 8,228            |
| Mr. JN Williams (Senior Supervisor: Public Works)                             | Spouse         | Hosteleria La Flora (Pty) Ltd      | -                | 2,850            |
| Mr. S Mzondi (Traffic Officer)  | Brother        | African Compass Trading 3          | 1,390,088        | 1,373,170        |
| Mr. E Phillips (Manager: IDP)   | Spouse         | Phillip: M                         | -                | 11,296           |
| Mr. A Bans (Superintendent - Traffic)   | Son            | Tolo & Miles                       | 525,213          | 1,718,334        |
| Mr. Johannes Harker   | Son            | CA Harker T/A CA grasscutters      | -                | 3,000            |
| Mr. S Hendricks (Pre-paid water clerk: Public Works)                          | Son            | Hendricks Construction             | 76,900           | 44,385           |
| Ms. NV Dyani (General assistant)  | Spouse         | Siskonke CX Construction (Pty) Ltd | 18,200           | 950              |
| Ms. E Damane (Director)   | Spouse         | E4D Construction (Pty)Ltd          | 280,351          | 213,340          |
| Mr. ME Gqotholo (Artisan: Electrician)  | Spouse         | Ambesa G Enterprises (Pty) Ltd     | 1,800            | -                |
| Mr M.R Vinnies (Clerk: Rekords - Planning and Building)                       | Spouse         | ER Vinnies Enterprises             | 2,000            | -                |
| Ms. E Petersen  | Brother in Law | Thomas McCarthy                    | -                | 67,055           |
| Ms. M Sass (Senior Clerk : Administration) and Mr. J Sass (General assistant) | Uncle          | DJ Sass Construction               | 309,675          | 749,138          |
| Ms. C Stroebel (Corporate: Receptionist)                                      | Mother         | Stroebel: BC                       | 287,341          | 169,892          |
|   |                |                                    | <b>3,436,250</b> | <b>5,241,342</b> |

### 48. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the following new or revised standards:

- GRAP 20: Related Party Disclosures
- GRAP 32: Service Concession Arrangements
- GRAP 108: Statutory Receivables
- GRAP 109: Accounting by Principals and Agents
- IGRAP 17: Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
- IGRAP 18: Recognition and Derecognition of Land
- IGRAP 19: Liabilities to Pay Levies
- Guideline: Accounting for Arrangements Undertaken in terms of the National Housing Programme

#### GRAP 20: Related Parties

During the year, the municipality changed its accounting policy with respect to the treatment of Related Parties. In order to conform with the benchmark treatment in of GRAP 20. The update to this standard resulting in additional clarity in terms of the accounting policy. The disclosure note for related parties remains unchanged (refer note 47).

#### GRAP 32 and IGRAP 17: Service Concessions

This interpretation has no impact on the financial results of the municipality and therefore no changes in the accounting policies were adopted when the interpretation becoming effective.

#### GRAP 108: Statutory Receivables

During the year, the municipality adopted its accounting policy with respect to the treatment of GRAP 108: Statutory Receivables. The significant judgements were also updated accordingly. The standard does not significantly impact measurement of these receivables, but resulted in additional disclosures as per Note 7.



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 48. Changes in accounting policy (continued)

#### **GRAP 109: Accounting by Principals and Agents**

During the year, the municipality adopted its accounting policy with respect to the considerations whether a relationship would result in a Principal or Agent arrangement. In order to conform with the benchmark treatment in of GRAP109. The municipality now discloses all transactions for which it regards itself as a Principal or an Agent in Note 59.

#### **IGRAP 18 and Housing Guideline**

During the year, the municipality adopted its accounting policy with respect to the treatment of Construction Contracts. The policy pertaining to Property, Plant and Equipment was also change to include considerations applied in determining whether the municipality controls the land. In order to conform with the benchmark treatment in of GRAP 11: Construction Contracts, IGRAP 18: Recognition and Derecognition of Land, GRAP 109: Accounting by Principals and Agents as well as the Guideline: Accounting for Arrangements Undertaken in terms of the National Housing Programme. The effect of IGRAP 18: Recognition and Derecognition of Land on transaction other than those arising from Housing Arrangements were negligible.

#### **IGRAP 19: Liabilities to Pay Levies**

This interpretation has no impact on the financial results of the municipality and therefore no changes in the accounting policies were adopted when the interpretation becoming effective.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2019 is disclosed in note 49.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  |   |   | 2020<br>R                        | 2019<br>R                |
|--|---|---|----------------------------------|--------------------------|
| <b>49. Prior period adjustments</b>                    |   |   |                                  |                          |
| <b>STATEMENT OF FINANCIAL POSITION</b>                 | <b>2019<br/>previously<br/>reported</b> | <b>Reclassifi-<br/>cations due<br/>to change in<br/>accounting<br/>policy</b> | <b>Adjustments<br/>of errors</b> | <b>2019<br/>restated</b> |
| <b>Assets</b>  |   |   |                                  |                          |
| <b>Current Assets</b>                                  |   |   |                                  |                          |
| Inventories  | 10,290,526                              | -   | -                                | 10,290,526               |
| Receivables from exchange transactions                 | 59,126,460                              | -   | -                                | 59,126,460               |
| Construction contracts and receivables (note 48)       | -                                       | 16,384,629  | -                                | 16,384,629               |
| Receivables from non-exchange transactions (note 49.8) | 82,332,431                              | -   | 1,839,878                        | 84,172,309               |
| Unpaid grants and receipts (note 48)                   | 30,775,924                              | (16,384,629)  | -                                | 14,391,295               |
| VAT receivable   | 19,744,003                              | -   | -                                | 19,744,003               |
| Prepayments  | 2,739,496                               | -   | -                                | 2,739,496                |
| Cash and cash equivalents                              | 71,709,029                              | -   | -                                | 71,709,029               |
|  | <b>276,717,869</b>                      | <b>-</b>  | <b>1,839,878</b>                 | <b>278,557,747</b>       |
| <b>Non-current Assets</b>                              |   |   |                                  |                          |
| Property, plant and equipment (note 49.2)              | 1,129,831,905                           | -   | (2,497,396)                      | 1,127,334,509            |
| Investment property (note 49.1)                        | 76,754,655                              | -   | (4,994,292)                      | 71,760,363               |
| Intangible assets                                      | 135,688                                 | -   | -                                | 135,688                  |
| Heritage assets  | 17,435,046                              | -   | -                                | 17,435,046               |
| Long term investments and receivables                  | 34,498,131                              | -   | -                                | 34,498,131               |
| Operating lease asset                                  | 2,060,278                               | -   | -                                | 2,060,278                |
|  | <b>1,260,715,703</b>                    | <b>-</b>  | <b>(7,491,688)</b>               | <b>1,253,224,015</b>     |
| <b>Total Assets</b>                                    | <b>1,537,433,572</b>                    | <b>-</b>  | <b>(5,651,810)</b>               | <b>1,531,781,762</b>     |
| <b>Liabilities</b>                                     |   |   |                                  |                          |
| <b>Current Liabilities</b>                             |   |   |                                  |                          |
| Long-term liabilities                                  | 23,762,198                              | -   | -                                | 23,762,198               |
| Finance lease obligation                               | 905,263                                 | -   | -                                | 905,263                  |
| Payables from exchange transactions (note 49.3)        | 112,842,248                             | -   | 3,139,533                        | 115,981,781              |
| Consumer deposits                                      | 12,924,361                              | -   | -                                | 12,924,361               |
| Employee benefit obligation                            | 32,992,053                              | -   | -                                | 32,992,053               |
| Provisions   | 5,880,000                               | -   | -                                | 5,880,000                |
| Unspent grants and receipts (note 49.7)                | 32,585,851                              | -   | (3,959,135)                      | 28,626,716               |
|  | <b>221,891,974</b>                      | <b>-</b>  | <b>(819,602)</b>                 | <b>221,072,372</b>       |
| <b>Non-Current Liabilities</b>                         |   |   |                                  |                          |
| Long-term liabilities                                  | 173,816,114                             | -   | -                                | 173,816,114              |
| Finance lease obligation                               | 410,994                                 | -   | -                                | 410,994                  |
| Operating lease liability                              | 109,445                                 | -   | -                                | 109,445                  |
| Employee benefit obligation                            | 101,441,582                             | -   | -                                | 101,441,582              |
| Provisions (note 49.4)                                 | 8,254,850                               | -   | 3,045,162                        | 11,300,012               |
|  | <b>284,032,985</b>                      | <b>-</b>  | <b>3,045,162</b>                 | <b>287,078,147</b>       |
| <b>Total Liabilities</b>                               | <b>505,924,959</b>                      | <b>-</b>  | <b>2,225,560</b>                 | <b>508,150,519</b>       |
| <b>Total Net Assets</b>                                | <b>1,031,508,613</b>                    | <b>-</b>  | <b>(7,877,370)</b>               | <b>1,023,631,243</b>     |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R                      | 2019<br>R  |                          |                  |
|--|--------------------------------|--|--------------------------|------------------|
| 49. Prior period adjustments (continued)       |                                |  |                          |                  |
| STATEMENT OF FINANCIAL POSITION<br>(CONTINUED) | 2019<br>previously<br>reported | Reclassifi-<br>cations due<br>to change in<br>accounting<br>policy | Adjustments<br>of errors | 2019<br>restated |
| Net Assets                                     |                                |  |                          |                  |
| Capital Replacement Reserve                    | 45,500,000                     | -  | -                        | 45,500,000       |
| Accumulated surplus (Note 49)                  | 986,008,613                    | -  | (7,877,370)              | 978,131,243      |
|  | 1,031,508,613                  | -  | (7,877,370)              | 1,023,631,243    |
| STATEMENT OF FINANCIAL PERFORMANCE             |                                |  |                          |                  |
|  | 2019<br>previously<br>reported | Reclassifi-<br>cations due<br>to change in<br>accounting<br>policy | Adjustments<br>of errors | 2019<br>restated |
| Revenue from exchange transactions             | 409,367,797                    | -  | -                        | 409,367,797      |
| Service charges                                | 366,946,289                    | -  | -                        | 366,946,289      |
| Rental of facilities and equipment             | 5,600,926                      | -  | -                        | 5,600,926        |
| Interest received - outstanding debtors        | 11,837,866                     | -  | -                        | 11,837,866       |
| Interest received - external investments       | 9,443,215                      | -  | -                        | 9,443,215        |
| Agency services                                | 3,297,253                      | -  | -                        | 3,297,253        |
| Licences and permits                           | 1,586,556                      | -  | -                        | 1,586,556        |
| Third party payments (Insurance claims)        | 4,005,366                      | -  | -                        | 4,005,366        |
| Operational revenue                            | 1,574,080                      | -  | -                        | 1,574,080        |
| Sales of goods and rendering of services       | 5,076,246                      | -  | -                        | 5,076,246        |
| Revenue from non-exchange transactions         | 535,442,176                    | -  | 861,600                  | 536,303,776      |
| Property rates                                 | 215,548,591                    | -  | -                        | 215,548,591      |
| Construction revenue (note 48)                 | -                              | 40,647,530   | -                        | 40,647,530       |
| Government grants and subsidies (note 48)      | 187,150,401                    | (40,647,530)   | -                        | 146,502,871      |
| Public contributions and donations             | 1,214,566                      | -  | -                        | 1,214,566        |
| Fines, penalties and forfeits (note 49.8)      | 121,653,768                    | -  | 861,600                  | 122,515,368      |
| Actuarial Gains                                | 9,508,014                      | -  | -                        | 9,508,014        |
| Inventories surplus                            | 366,836                        | -  | -                        | 366,836          |
|  | 944,809,973                    | -  | 861,600                  | 945,671,573      |
| Expenditure                                    |                                |  |                          |                  |
| Employee related cost (note 49.6)              | 245,685,762                    | -  | (398,810)                | 245,286,952      |
| Remuneration of councillors                    | 8,569,575                      | -  | -                        | 8,569,575        |
| Loss on disposal of assets (note 49.2)         | 491,249                        | -  | 3,606,892                | 4,098,141        |
| Depreciation and amortisation (note 49.2)      | 32,604,365                     | -  | 559,185                  | 33,163,550       |
| Impairment of assets                           | 260,370                        | -  | -                        | 260,370          |
| Debt impairment                                | 117,797,141                    | -  | -                        | 117,797,141      |
| Finance cost (note 49.4)                       | 26,092,165                     | -  | 215,899                  | 26,308,064       |
| Lease rental on operating lease                | 10,248,334                     | -  | -                        | 10,248,334       |
| Bulk purchases                                 | 169,553,269                    | -  | -                        | 169,553,269      |
| Contracted services (note 49.2)                | 177,700,900                    | -  | 27,719                   | 177,728,619      |
| Transfers and subsidies                        | 4,151,165                      | -  | -                        | 4,151,165        |
| Bad debt written off                           | 18,238,510                     | -  | -                        | 18,238,510       |
| Operational costs                              | 39,293,348                     | -  | -                        | 39,293,348       |
| Inventory consumed                             | 43,089,810                     | -  | -                        | 43,089,810       |
|  | 893,775,963                    | -  | 4,010,885                | 897,786,848      |
| Surplus / (Deficit) for the year               | 51,034,010                     | -  | (3,149,285)              | 47,884,725       |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R                               | 2019<br>R   |
|--|---|---|
| <b>49. Prior period adjustments (continued)</b>        |   |   |
| <b>CASH FLOW STATEMENT</b>                             |   |   |
|  | <b>2019<br/>previously<br/>reported</b> | <b>Reclassifi-<br/>cations due<br/>to change in<br/>accounting<br/>policy</b> |
| Net cash from operating activities                     | 100,672,232                             | -   |
| Net cash from investing activities                     | (150,609,413)                           | 21,092  |
| Net cash from financing activities                     | 41,769,168                              | -   |
| Total cash movement for the year                       | (8,168,013)                             | -   |
| Cash and cash equivalents at the beginning of the year | 79,877,042                              | -   |
|  | <b>71,709,029</b>                       | <b>-</b>  |

### 49.1 Corrections to Investment property

The following retrospective restatements were made to Investment Property:

- Housing scheme erven to the value of R 4 994 292 incorrectly not previously recognised through surplus and deficit as per the ASB Housing guideline.

### 49.2 Corrections to Property, plant and equipment

The following retrospective restatements were made to Property, plant and equipment:

- Capital expenditure retentions of R 6 627 was incorrectly not recognised in the previous financial year.
- Contracted services: contractors expenditure of R 27 719 was incorrectly recognised as infrastructure work-in-progress additions.
- Infrastructure to the value of R 23 538 321 completed in the previous financial years was incorrectly recognised as part of work-in-progress in the previous year. This resulted in a prior year depreciation expense of R 559 185 and total accumulated depreciation of R 964 070 incorrectly not recognised in the previous year.
- Land under the control of Knysna Municipality to the value of R 1 000 incorrectly not previously recognised
- Housing scheme erven to the value of R 1 513 234 incorrectly not previously recognised through surplus and deficit as per the ASB Housing guideline.

### 49.3 Corrections to Payables from exchange transactions

The following retrospective restatements were made to Payables from exchange transactions:

- Increase due to a retention of R 6 627 incorrectly not recognised in the previous year.
- Increase in payroll accrual due to employee related cost of R 2 134 412 incorrectly recognised in the following financial year.
- Correction of other payables relating to rates refund. Liability of R 998 494 incorrectly not previously recognised due to over charged on property rates.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R | 2019<br>R         |
|---|-----------|-------------------|
| <b>49. Prior period adjustments (continued)</b>   |           |                   |
| <b>49.4 Corrections to Provisions</b>   |           |                   |
| The following retrospective restatements were made to Provisions:   |           |                   |
| <ul style="list-style-type: none"> <li>30 year post closure monitoring on the landfill site previously not recognised. This resulted in an increase in the provision of R 2 045 162 of which R 215 899 relates to an increase in finance cost of R 215 899 in the previous year and an IGRAP2 adjustment of R 2 829 263 recognised in accumulated surplus.</li> </ul> |           |                   |
| <b>49.6 Corrections to Employee related cost</b>  |           |                   |
| The following retrospective restatements were made to Employee related cost:  |           |                   |
| <ul style="list-style-type: none"> <li>Decrease in employee related cost due incorrect recognition at the payment basis rather than the accrual basis. The net effect for 2018 and 2019 financial year is R 398 800.</li> </ul>   |           |                   |
| <b>49.7 Corrections to unspent public contributions and receipts</b>  |           |                   |
| The following retrospective restatements were made to unspent public contributions and receipts:  |           |                   |
| <ul style="list-style-type: none"> <li>Knysna Fire Disaster Relief Fund - During June 2017 a severe fire break out in the greater Knysna area. The expenses relating to this fire were already paid out from the primary bank account. The fund was utilised before 30 June 2018, resulting in a restatement of R 3 959 135.</li> </ul>                               |           |                   |
| <b>49.8 Corrections to Receivables from non - exchange transactions</b>   |           |                   |
| <ul style="list-style-type: none"> <li>Revenue generated from fines incorrectly not recognised in the 2017, 2018 and 2019 financial year. This result in an increase in receivables from non-exchange transactions of R 1 839 878 and fines revenue in 2019 amount to 861 600 and revenue relating to previous years are R 978 278.</li> </ul>                        |           |                   |
| <b>The effect of these prior period error corrections per line item are as follows:</b>   |           |                   |
| <b>Investment Property</b>  |           |                   |
| Balance previously reported   |           | 76,754,655        |
| Housing erven incorrectly not previously recognised through surplus and deficit as per the ASB  |           | (1,459,631)       |
| Housing guideline - Cost - opening balance  |           |                   |
| Housing erven incorrectly not previously recognised through surplus and deficit as per the ASB  |           | (16,775,661)      |
| Housing guideline - Cost - Prior year disposal  |           |                   |
| Housing erven incorrectly not previously recognised through surplus and deficit as per the ASB  |           | 13,241,000        |
| Housing guideline - Accumulated impairment - Prior year disposal  |           |                   |
| <b>Restated balance as at 30 June 2019</b>  |           | <b>71,760,363</b> |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R            |
|--|-----------|----------------------|
| <b>49. Prior period adjustments (continued)</b>  |           |                      |
| <b>Property, plant and equipment</b>   |           |                      |
| Balance previously reported  |           | 1,129,831,905        |
| Retention incorrectly recognised in the previous year - Infrastructure assets - Work in progress - Additions 2019  |           | 6,627                |
| Corrections to Infrastructure work-in-progress additions: Contracted Services: Contractors expenditure recognised as infrastructure work in progress                               |           | (27,719)             |
| Depreciation not charged on completed infrastructure projects - Electrical infrastructure - accumulated depreciation - Opening balance   |           | (3,072)              |
| Depreciation not charged on completed infrastructure projects - Water infrastructure - accumulated depreciation - Opening balance  |           | (401,813)            |
| Depreciation not charged on completed infrastructure projects - Electrical infrastructure - accumulated depreciation - Depreciation charge 2019                                    |           | (5,952)              |
| Depreciation not charged on completed infrastructure projects - Water infrastructure - accumulated depreciation - Depreciation charge 2019   |           | (553,233)            |
| Land under the control of Knysna Municipality incorrectly not previously recognised  |           | 1,000                |
| Housing erven incorrectly not previously recognised through surplus and deficit as per the ASB Housing guideline - Operational land - Cost - opening balance                       |           | (1,441,002)          |
| Housing erven incorrectly not previously recognised through surplus and deficit as per the ASB Housing guideline - Operational land - Cost - Prior year disposal                   |           | (93,232)             |
| Housing erven incorrectly not previously recognised through surplus and deficit as per the ASB Housing guideline - Operational land - Accumulated impairment - Prior year disposal |           | 21,000               |
| <b>Restated balance as at 30 June 2019</b>   |           | <b>1,127,334,509</b> |
| <b>Accumulated surplus / (Deficit) opening balance</b>   |           |                      |
| Balance previously reported 1 July 2018  |           | 939,974,603          |
| Depreciation not charged on completed infrastructure projects  |           | (404,885)            |
| Land under the control of Knysna Municipality incorrectly not previously recognised  |           | 1,000                |
| Housing erven incorrectly not previously recognised through surplus and deficit as per the ASB Housing guideline   |           | (2,900,634)          |
| Employee related cost incorrectly recognised at payment date rather at the accrual basis   |           | (2,533,222)          |
| Knysna Fire Disaster Relief Fund   |           | 3,959,135            |
| 30 year post closure monitoring on the landfill site previously not recognised adjusted to IGRAP 2.  |           | (2,829,263)          |
| Revenue generated from fines incorrectly not recognised in the prior years   |           | 978,278              |
| Correction of other payables relating to rates refund.   |           | (998,494)            |
| <b>Restated balance as at 1 July 2018</b>  |           | <b>935,246,518</b>   |
| <b>Payables from exchange transactions - Other payables</b>  |           |                      |
| Balance previously reported  |           | 112,842,248          |
| Retention incorrectly recognised in the previous year - Infrastructure assets - Work in progress - Additions 2019  |           | 6,627                |
| Employee related cost incorrectly recognised at the payment date in the following financial year and not on the accrued basis.   |           | 2,134,412            |
| Correction of other payables relating to rates refund.   |           | 998,494              |
| <b>Restated balance as at 30 June 2019</b>   |           | <b>115,981,781</b>   |
| <b>Provisions</b>  |           |                      |
| Balance previously reported  |           | 14,134,850           |
| Recognition of the 30-year post monitoring landfill rehabilitation costs - Opening balance: Non-current  |           | 2,829,263            |
| Recognition of the 30-year post monitoring landfill rehabilitation costs - Unwinding of discount 2019  |           | 215,899              |
| <b>Restated balance as at 30 June 2019</b>   |           | <b>17,180,012</b>    |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R          |
|--|-----------|--------------------|
| <b>49. Prior period adjustments (continued)</b>  |           |                    |
| <b>Depreciation and amortisation</b>   |           |                    |
| Balance previously reported  |           | 32,604,365         |
| Depreciation not charged on completed infrastructure projects - Depreciation   |           | 559,185            |
| <b>Restated balance as at 30 June 2019</b>   |           | <b>33,163,550</b>  |
| <b>Contracted services</b>   |           |                    |
| Balance previously reported  |           | 177,700,900        |
| Contracted services: contractors expenditure recognised as infrastructure work in progress                           |           | 27,719             |
| <b>Restated balance as at 30 June 2019</b>   |           | <b>177,728,619</b> |
| <b>Loss on disposal of assets</b>  |           |                    |
| Balance previously reported  |           | 491,249            |
| Housing erven incorrectly not previously recognised through surplus and deficit as per the ASB                       |           | 3,606,892          |
| Housing guideline - Loss on disposal of assets   |           |                    |
| <b>Restated balance as at 30 June 2019</b>   |           | <b>4,098,141</b>   |
| <b>Employee related cost</b>   |           |                    |
| Balance previously reported  |           | 245,685,762        |
| Employee related cost incorrectly recognised at payment date rather at the accrual basis                             |           | (398,810)          |
|  |           | <b>245,286,952</b> |
| <b>Unspent grants and receipts</b>   |           |                    |
| Balance previously reported  |           | 32,585,851         |
| Unspent public contributions and receipts already spent in prior years.  |           | (3,959,135)        |
|  |           | <b>28,626,716</b>  |
| <b>Receivables from non-exchange</b>   |           |                    |
| Balance previously reported  |           | 82,332,431         |
| Revenue generated from fines incorrectly not recognised in the prior years   |           | 1,839,878          |
|  |           | <b>84,172,309</b>  |
| <b>Finance cost</b>  |           |                    |
| Balance previously reported after reclassifications  |           | 26,092,165         |
| Unwinding of discount 30 year post closure monitoring on the landfill site not recognised in the 2019 financial year |           | 215,899            |
|  |           | <b>26,308,064</b>  |
| <b>Fines, penalties and forfeits</b>   |           |                    |
| Balance previously reported  |           | 121,653,768        |
| Revenue generated from fines incorrectly not recognised in the prior years   |           | 861,600            |
|  |           | <b>122,515,368</b> |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 50. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

#### Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and ensures that borrowing facilities are available to meet its cash requirements.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances only due within 12 months equal their carrying balances as the impact of discounting is not significant.

| At 30 June 2020                          | Less than 1<br>year | Between 1 and<br>2 years | Between 2 and<br>5 years | Over 5 years |
|--|---------------------|--------------------------|--------------------------|--------------|
| Long term liabilities:                   |                     |                          |                          |              |
| Annuity loans and local registered stock | 50,874,910          | 46,820,585               | 125,557,706              | 133,611,270  |
| Consumer Deposits                        | 13,163,571          | -                        | -                        | -            |
| Trade and other payables                 | 122,764,761         | -                        | -                        | -            |
| Finance lease obligation                 | 5,157,415           | 7,100,626                | -                        | -            |
| At 30 June 2019                          | Less than 1<br>year | Between 1 and<br>2 years | Between 2 and<br>5 years | Over 5 years |
| Long term liabilities:                   |                     |                          |                          |              |
| Annuity loans and local registered stock | 43,332,425          | 36,661,195               | 93,590,294               | 122,603,264  |
| Consumer Deposits                        | 12,924,361          | -                        | -                        | -            |
| Trade and other payables                 | 101,114,524         | -                        | -                        | -            |
| Finance lease obligation                 | 1,016,796           | 423,665                  | -                        | -            |

#### Credit risk

Credit risk is the risk that a counter party to a financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only reputable independently rated parties are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non- payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 50. Risk management (continued)

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to notes 6 and 5 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

Other Financial Assets and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The maximum credit and interest risk exposure in respect of the relevant financial instruments are as follows:

| Financial instrument                   | 2020               | 2019               |
|--|--------------------|--------------------|
| Receivables from exchange transactions | 62,545,043         | 59,126,460         |
| Cash and cash equivalents              | 79,293,624         | 71,709,029         |
| Long-term investments and receivables  | 10,814,218         | 34,498,131         |
| Construction contracts and receivables | 20,080,154         | 16,384,629         |
|  | <u>172,733,039</u> | <u>181,718,249</u> |

#### Market risk

##### Interest rate risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis by comparison between current market related rates and historical rates and adjustments made where considered necessary.

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus for the year due to changes in interest rates are as follows:

|  |             |           |
|--|-------------|-----------|
| 1% (2019: 1%) Increase in interest rates | (1,650,672) | (922,928) |
| 1% (2019: 0%) Decrease in interest rates | 1,650,672   | 922,928   |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R        | 2019<br>R   |
|---|------------------|-------------|
| <b>51. Unauthorised expenditure</b>               |                  |             |
| <b>Reconciliation of unauthorised expenditure</b> |                  |             |
| Opening balance                                   | -                | 9,208,835   |
| Unauthorised expenditure current year             | 7,172,996        | -           |
| Approved by Council                               | -                | (9,208,835) |
| Unauthorised expenditure awaiting authorisation   | <b>7,172,996</b> | <b>-</b>    |

The unauthorised expenditure relates to over expenditure of approved budgets per vote in total.

| <b>Budget Comparison by Municipal Vote in total</b> | 2020<br>(Actual)     | 2020<br>(Budget)     | 2020<br>(Variance)  | 2020<br>(Unauthorised) |
|---|----------------------|----------------------|---------------------|------------------------|
| Community services                                  | 275,683,221          | 269,624,118          | 6,059,103           | 6,059,103              |
| Corporate services                                  | 38,482,643           | 42,221,752           | (3,739,109)         | -                      |
| Electrical services                                 | 252,941,952          | 264,526,629          | (11,584,677)        | -                      |
| Executive and Council                               | 21,758,787           | 38,794,879           | (17,036,092)        | -                      |
| Financial services                                  | 84,875,290           | 84,488,743           | 386,547             | 386,547                |
| Planning and development                            | 115,811,649          | 115,084,303          | 727,346             | 727,346                |
| Technical services                                  | 266,515,901          | 328,927,047          | (62,411,146)        | -                      |
|   | <b>1,056,069,443</b> | <b>1,143,667,471</b> | <b>(87,598,028)</b> | <b>7,172,996</b>       |

| <b>Budget Comparison by Municipal Vote - Operating Expenditure</b> | 2020<br>(Actual)   | 2020<br>(Budget)   | 2020<br>(Variance)  | 2020<br>(Unauthorised) |
|--|--------------------|--------------------|---------------------|------------------------|
| Community services   | 241,984,094        | 243,825,960        | (1,841,866)         | -                      |
| Corporate services   | 37,838,842         | 41,430,715         | (3,591,873)         | -                      |
| Electrical services  | 236,696,719        | 241,505,965        | (4,809,246)         | -                      |
| Executive and Council  | 21,034,155         | 36,443,177         | (15,409,022)        | -                      |
| Financial services   | 84,657,528         | 84,068,770         | 588,758             | 588,758                |
| Planning and development   | 104,563,195        | 103,878,352        | 684,843             | 684,843                |
| Technical services   | 180,628,771        | 205,625,484        | (24,996,713)        | -                      |
|  | <b>907,403,304</b> | <b>956,778,423</b> | <b>(49,375,119)</b> | <b>1,273,601</b>       |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R          | 2019<br>R          |                     |                        |
|--|--------------------|--------------------|---------------------|------------------------|
| <b>51. Unauthorised expenditure (continued)</b>                  |                    |                    |                     |                        |
| <b>Budget Comparison by Municipal Vote - Capital Expenditure</b> | 2020<br>(Actual)   | 2020<br>(Budget)   | 2020<br>(Variance)  | 2020<br>(Unauthorised) |
| Community services   | 33,699,127         | 25,798,158         | 7,900,969           | 7,900,969              |
| Corporate services   | 643,801            | 791,037            | (147,236)           | -                      |
| Electrical services  | 16,245,233         | 23,020,664         | (6,775,431)         | -                      |
| Executive and Council  | 724,632            | 2,351,702          | (1,627,070)         | -                      |
| Financial services   | 217,762            | 419,973            | (202,211)           | -                      |
| Planning and development   | 11,248,454         | 11,205,951         | 42,503              | 42,503                 |
| Technical services   | 85,887,130         | 123,301,563        | (37,414,433)        | -                      |
|  | <b>148,666,139</b> | <b>186,889,048</b> | <b>(38,222,909)</b> | <b>7,943,472</b>       |

The presented overspending on capital expenditure for the community services vote is due to a difference in actual capital payments (cashflow) and finance lease accounting treatment for Tender 12 of 2019/20: Supply and delivery of wheelie bins 140L and 240L respectively. The tender was awarded as a finance lease agreement that is repayable over 3 years. The budgeted capital expenditure reflects the actual repayments (cashflow) per year, while the accounting treatment for finance leases, as required by GRAP13: Leases, requires the recognition of the entire capital asset and corresponding finance lease liability on initial recognition date in the 2020 financial year.

The presented overspending is consequently not an overspending, but only results due to the timing difference in the actual cashflows of payments and the finance lease accounting treatment. The capital expenditure is budgeted over 3 years in line with the payment agreement.

Debt impairment was under budgeted on financial services. This is a non-cash item.

Contracted services was overspent on planning and development.

All these matters will be referred to MPAC for investigation, then MPAC will then submit the report to council. The necessary adjustments will be made in the financial statements in the next financial year, after the outcome of the MPAC and council decision.

## 52. Fruitless and wasteful expenditure

### Reconciliation of fruitless and wasteful expenditure

|   |               |               |
|---|---------------|---------------|
| Opening balance   | 53,217        | 199,850       |
| Amounts deemed irrecoverable - approved after year end    | -             | (146,633)     |
| Fruitless and wasteful expenditure awaiting investigation | <b>53,217</b> | <b>53,217</b> |

A full investigation was conducted by MPAC. After having considered the report on the investigation, MPAC resolved and made recommendation to council. Council resolved on the matters of fruitless and wasteful expenditure. The accounting officer was instructed to ensure consequence management.

### Details of current year fruitless and wasteful expenditure

|                            | Disciplinary<br>steps | 2020 | 2019 |
|----------------------------|-----------------------|------|------|
| Interest on Telkom account | None                  | -    | 684  |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R        | 2019<br>R          |
|---|------------------|--------------------|
| <b>53. Irregular expenditure</b>                                  |                  |                    |
| <b>Reconciliation of irregular expenditure</b>                    |                  |                    |
| Opening balance   | 119,360,480      | 30,580,381         |
| Irregular expenditure written off by council                      | (157,634,829)    | (28,374,324)       |
| Irregular Expenditure - current year                              | 39,501,509       | 121,397,585        |
| Irregular expenditure amounts recoverable approved after year-end | -                | (4,243,162)        |
|   | <b>1,227,160</b> | <b>119,360,480</b> |

SCM Regulation 32 contracts classified as irregular as a result of 2018/19 during the audit process by AGSA. The contracts used of other organs of state was on rates with no fixed quantities and therefore difficult to quantify. Non-compliance as confirmed by AGSA in accordance with the MFMA and this issue will further be dealt with in terms of the audit engagement letter process.

SCM Regulation 29 contracts classified as irregular during the audit process by AGSA. The composition of the Bid Adjudication Committee (BAC) is in compliance with SCM Regulation 29 and a majority quorum was present for the contracts currently disclosed. This will be dealt with in terms of the audit engagement letter process.

### Details of irregular expenditure – current year

|   | 2020              | 2019               |
|---|-------------------|--------------------|
| Valid deviation but requested after the fact  | -                 | 33,792             |
| Deviation requested after the fact  | -                 | 2,822,360          |
| Should have been treated as donation  | -                 | 30,000             |
| Telkom account & Internet cost for Knysna Municipality but name was not yet changed from Knysna Tourism | -                 | 7,380              |
| Minor breach of SCM connectivity between bank and card machine  | -                 | 2,398              |
| Application for deviation: impractical not done timeously   | -                 | 1,800              |
| Splitting of orders   | -                 | 15,681             |
| Approval for additional work requested after the fact   | -                 | 48,550             |
| Use of quotation less than R2000 while there was a valid tender for repairs and maintenance of vehicles | -                 | 3,940              |
| Service provider was engaged outside SCM process  | -                 | 20,189             |
| Tender expenditure exceeding the awarded amount without prior approval                                  | 708,157           | 1,691,280          |
| Non-compliance with SCM Regulation 32 - "Piggy-back" contracts  | 38,793,352        | 93,761,895         |
| Non-compliance with SCM regulation 29 - BAC composition   | -                 | 22,958,320         |
|   | <b>39,501,509</b> | <b>121,397,585</b> |

SCM Regulation 32 contracts classified as irregular during the audit process by AGSA. The contracts used of other organs of state was on rates with no fixed quantities and therefore difficult to quantify. Non-compliance as confirmed by AGSA in accordance with the MFMA and this issue will be dealt with in terms of the audit engagement letter process.

SCM Regulation 29 contracts classified as irregular during the audit process by AGSA. The composition of the Bid Adjudication Committee (BAC) is in compliance with SCM Regulation 29 and a majority quorum was present for the contracts currently disclosed. This will be dealt with in terms of the audit engagement letter process.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R        | 2019<br>R        |
|---|------------------|------------------|
| <b>54. Material losses</b>  |                  |                  |
| <b>Electricity distribution losses</b>  |                  |                  |
| Units purchased (Mwh)   | 172,495          | 178,816          |
| Units lost during distribution (Mwh)  | 15,668           | 13,818           |
| Percentage lost during distribution   | 9.08 %           | 7.73 %           |
| <b>Water distribution losses</b>  |                  |                  |
| Mega litres purified  | 4,057            | 3,361            |
| Mega litres lost during distribution  | 807              | 895              |
| Percentage lost during distribution   | 19.89 %          | 26.63 %          |
| There is no possibility of recovering any of the material losses.                     |                  |                  |
| <b>55. Additional disclosure in terms of Municipal Finance Management Act</b>         |                  |                  |
| <b>Contributions to organised local government MFMA 125 (1) - SALGA contributions</b> |                  |                  |
| Opening balance   | 273,627          | 273,627          |
| Current year subscription / fee   | 2,755,162        | 2,288,398        |
| Amount paid - current year  | (2,755,162)      | (2,288,398)      |
|   | <b>273,627</b>   | <b>273,627</b>   |
| <b>Audit fees - MFMA 125 (1)</b>  |                  |                  |
| Current year subscription / fee   | 5,273,822        | 5,328,473        |
| Amount paid - current year  | (5,273,822)      | (5,328,473)      |
|   | -                | -                |
| <b>PAYE and UIF - MFMA 125 (1)</b>  |                  |                  |
| Opening balance   | 36,884           | 29,359           |
| Current year subscription / fee   | 36,603,462       | 34,759,802       |
| Amount paid - current year  | (36,610,877)     | (34,752,277)     |
|   | <b>29,469</b>    | <b>36,884</b>    |
| <b>Pension and Medical Aid Deductions - MFMA 125 (1)</b>                              |                  |                  |
| Current year subscription / fee   | 59,497,227       | 53,834,686       |
| Amount paid - current year  | (59,497,227)     | (53,834,686)     |
|   | -                | -                |
| <b>VAT - MFMA 125 (1)</b>   |                  |                  |
| Opening balance   | 7,087,947        | 7,771,523        |
| Amount received - prior year  | (6,954,402)      | (8,579,676)      |
| Amount received - current year  | (78,758,729)     | (78,624,673)     |
| Amount claimed - prior year   | 83,185,394       | 86,520,773       |
|   | <b>4,560,210</b> | <b>7,087,947</b> |

VAT output payables and VAT input receivables are shown in note 8.

All VAT returns have been submitted by the due date throughout the year.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 55. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts - MFMA 124 (1)

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

| 30 June 2020                          | Outstanding<br>more than 90<br>days<br>R | Total<br>R   |
|---------------------------------------|--|--------------|
| Pofadder D (Resigned 15 October 2019) | 3,673                                    | 3,673        |
| Weideman A                            | 9  | 9            |
|                                       | <b>3,682</b>                             | <b>3,682</b> |

| 30 June 2019 | Outstanding<br>more than 90<br>days<br>R | Total<br>R    |
|--------------|--|---------------|
| Arends S     | 11,591                                   | 11,591        |
| Bouw-Spies E | 6,860                                    | 6,860         |
| Gombo E      | 3,756                                    | 3,756         |
| Matika T     | 4,306                                    | 4,306         |
| Ngqezu S     | 13,003                                   | 13,003        |
| Pofadder D   | 9,264                                    | 9,264         |
| Tswenga N A  | 3,654                                    | 3,654         |
| Waxa V       | 1,462                                    | 1,462         |
|              | <b>53,896</b>                            | <b>53,896</b> |

During the year the following Councillors' had arrear accounts outstanding for more than 90 days:

| 30 June 2020 | Highest<br>outstanding<br>amount | Aging<br>(in days) |
|--------------|----------------------------------|--------------------|
| Pofadder D   | 3,304                            | >150 days          |
| 30 June 2019 | Highest<br>outstanding<br>amount | Aging<br>(in days) |
| Arends S     | 10,535                           | >150 days          |
| Bouw-Spies E | 3,954                            | >150 days          |
| Gombo E      | 3,756                            | >150 days          |
| Matika T     | 4,306                            | >150 days          |
| Ngqezu S     | 13,003                           | >150 days          |
| Pofadder D   | 7,477                            | >150 days          |
| Tswenga N A  | 3,651                            | >150 days          |
| Waxa V       | 975                              | >150 days          |
|              | <b>47,657</b>                    |                    |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R        | 2019<br>R        |
|--|------------------|------------------|
| <b>55. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>  |                  |                  |
| <b>Supply chain management regulations</b>   |                  |                  |
| In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. Deviations from the Supply Chain Management processes were identified for the following categories and have been approved by the Accounting Officer and reported to Council. |                  |                  |
| Emergency - par 36 (1)(a) i  | 196,603          | 413,596          |
| Single source or sole provider - par 36 (1)(a) ii  | 145,984          | 462,951          |
| Impractical/impossible (exceptional cases) - par 36 (1)(a) v   | 7,048,171        | 8,363,175        |
|  | <b>7,390,758</b> | <b>9,239,722</b> |

### 56. Private Public Partnerships

Council has not entered into any private public partnerships during the financial year.

### 57. Events after the reporting date

The national state of disaster has been extended until 15 September 2020. Refer to note 61 whereby the financial impact of the COVID - 19 pandemic on the Municipality is disclosed.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
| <b>58. Budget differences</b>  |           |           |
| <b>Material differences between budget and actual amounts</b>  |           |           |
| <b>Statement of Financial Performance:</b>   |           |           |
| <b>58.1 Services Chargers</b>  |           |           |
| The significant variance for the services charges was caused by the huge increase on rebates for Pensioners and Sub-economic property owners,                                      |           |           |
| These changes were not incorporated to the budget (the discussion for approval of Rebates came into effect after the Budget report was already submitted to council for approval), |           |           |
| Sub –Economic Rebates were as follows  |           |           |
| 10.12 SUB-ECONOMIC (Value below R350, 000)   |           |           |
| a) ·Refuse – 25%   |           |           |
| b) ·Sewerage charge – 30% rebate   |           |           |
| c) ·Water charge –3kl and 50% rebate on basic charges  |           |           |
| d) ·50 units free electricity – (No basic charge)  |           |           |
| This was not in place in 2018/19.  |           |           |
| <b>58.2 Investment revenue</b>   |           |           |
| The interest revenue was more than expected.   |           |           |
| <b>58.3 Other own revenue</b>  |           |           |
| Decrease as a result of COVID19 lock down constraints (Traffic fines, Hiring of Hall, Rentals of equipment etc.)   |           |           |
| <b>58.4 Remuneration of councillors</b>  |           |           |
| Significant Variance due to vacancies in councillors which includes the executive mayor post since September 2019.   |           |           |
| <b>58.5 Debt impairment</b>  |           |           |
| Debt impairment figure decreased due to conversion from conventional to pre-paid services.   |           |           |
| <b>58.6 Transfers and grants</b>   |           |           |
| Grants In Aid (NGO, NPO and Sports Bodies) payments have not be granted due to financial constraints.  |           |           |
| <b>58.7 Other Expenditure</b>  |           |           |
| Other expenditure increased significantly as a result of additional costs incurred on personal protective equipment and sanitisers for the Covid19 regulations put in place.       |           |           |
| <b>58.8 Transfers recognised - Capital</b>   |           |           |
| Due to Covid19 lock down constraints there was a decrease in capital expenditure. Contractors were delay during April 2020, May 2020 and June 2020.                                |           |           |



# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R | 2019<br>R |
|---|-----------|-----------|
| <b>58. Budget differences (continued)</b>   |           |           |
| <b>Statement of Financial Position:</b>   |           |           |
| <b>58.9 Cash</b>  |           |           |
| The increased actual amount was due to the DBSA loan which was received in June 2020.   |           |           |
| <b>58.10 Consumer debtors</b>   |           |           |
| Mscoa reclassification between consumer debtors and Other debtors.  |           |           |
| <b>58.11 Other debtors</b>  |           |           |
| Mscoa reclassification between consumer debtors and Other debtors.  |           |           |
| <b>58.12 Long Term Receivables</b>  |           |           |
| The municipality does not have any long term receivables.   |           |           |
| <b>58.13 Investments</b>  |           |           |
| The municipality withdrawn from it's Investec investment in December 2019.  |           |           |
| <b>58.14 Investment property</b>  |           |           |
| Difference is mainly due to derecognition of housing property in terms of the Housing Guideline.                                  |           |           |
| <b>58.15 Other non-current assets</b>   |           |           |
| The variance is due to increased capital contributions to construction work in progress.  |           |           |
| <b>58.16 Bank overdraft</b>   |           |           |
| The budget provision for overdraft facilities were made due to the projected cashflow deficit however there was no need for such. |           |           |
| <b>58.17 Borrowing</b>  |           |           |
| The DBSA loan received during June 2020 resulted in increased short-term portion Borrowings.                                      |           |           |
| <b>58.18 Trade and other payables</b>   |           |           |
| Increase in payables and the unspent conditional grant at year end.   |           |           |
| <b>Cash Flow Statement</b>  |           |           |
| <b>58.19 Government grants and conditional receipts</b>   |           |           |
| Decrease as a result of unspending on grants as well as unreceived claims from Human Settlement Grants.                           |           |           |
| <b>58.20. Interest received</b>   |           |           |
| The difference is the non-cash interest on debtors that was included in the budgeted amount.                                      |           |           |
| <b>58.21 Finance charges</b>  |           |           |
| Due to Covid19 there was a decrease in the interest rate furthermore the bulk of the finance charges accrue in December.          |           |           |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
| <b>58. Budget differences (continued)</b>  |           |           |
| <b>58.22 Transfers and grants</b>  |           |           |
| Grants In Aid payments have not be granted due to financial constraints.   |           |           |
| <b>58.23 Proceeds on disposal of assets</b>  |           |           |
| Actual Proceeds on disposal of PPE was more than expected due to additional properties which council decided to dispose of during the year |           |           |
| <b>58.24 Decrease (increase) in non-current investments</b>  |           |           |
| The municipality withdrawn from it's Investec investment which have matured on 24 April 2017.  |           |           |
| <b>58.25 Capital assets</b>  |           |           |
| Underspending on capital projects.   |           |           |
| <b>58.26 Borrowing long term/refinancing</b>   |           |           |
| During the budget process we expected to to an apportioned draw down on the loan but it was decided to do the full drawdown.               |           |           |
| <b>58.27 Repayment of borrowing</b>  |           |           |
| The variance is due to increased payments made on borrowing funds .  |           |           |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 58. Budget differences (continued)

#### Differences between budget and actual amounts basis of preparation and presentation

Differences were identified between the disclosure requirements in terms of GRAP and the reporting requirements in terms of National Treasury budget formats.

The following items are affected by these classification differences:

#### Statement of Financial Position

Consumer debtors in budget statements consist of service charges (water, sewerage, electricity, refuse and housing rentals)

Other debtors in the budgeted statements consist of other debtors as disclosed in receivables from exchange transactions, receivables from non-exchange transactions, VAT receivable, prepayments and unpaid conditional grants.

The budget formats does not allow for various sundry debtor balances to be disclosed separately. For this reason, afore mentioned are all incorporated under other debtors.

Long Term Receivables in budget statements also includes the Non-Current Operating Lease Asset.

Included in Trade and other payables per budget statement are Payables from Exchange Transactions, Unspent Conditional Government Grants and Receipts and VAT payable (if applicable).

Employee benefits and Provisions (current and non-current) are disclosed separately in the financial statements while these figures are aggregated in the budget statements as provisions.

Long term liabilities, Finance lease obligation and Operating lease liabilities are disclosed separately in the financial statements. The budget formats does not provide for Finance and Operating lease liabilities. Finance and Operating lease liabilities are disclosed as part of Borrowings in the budget statements.

Other non-current assets included the Heritage assets in the budget statement but is separately disclosed in the financial statements..

All other items are disclosed on a comparable basis.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 58. Budget differences (continued)

#### Statement of Financial Performance

The statement of financial performance is comparable on a line by line basis except for the following items:

The budget statements does not provide for all the different revenue classifications per statement of financial performance. For this reason, all line items not specifically catered for is incorporated under the line item Other own revenue in the budget statement. Other own revenue per budget statement consist out of the following line items: Public Contributions and donations, Third Party Payments, Sale of goods and rendering of services, rental of facilities and equipment, Agency services, Licences and permits, Fines, penalties and forfeits, profit / loss on disposal of assets inventory adjustments and Operational revenue.

Transfers recognised - operational and construction revenue are aggregated in the budgeted statements, but disclosed separately in the statement of financial performance.

Employee related cost and actuarial gains and losses are aggregated in the budgeted statements, but disclosed separately in the statement of financial performance.

Depreciation and amortisation, Impairment losses and fair value adjustments on Investment property are disclosed separately in the financial statements while these figures are aggregated in the budget statements.

Debt impairment and bad debt written off are aggregated in the budgeted statements, but disclosed separately in the statement of financial performance.

Inventory consumed and bulk purchases as separately disclosed in the statement of financial performance is presented as materials and bulk purchases in the budgeted statements.

The budget statements does not provide for all the different expenditure classifications per statement of financial performance. For this reason, all line items not specifically catered for are incorporated under the line item Other Expenditure in the budget statements. Other Expenditure per budget statement consist of the following line items - Operational costs, Lease rentals on operating leases.

All other items are disclosed on a comparable basis.

#### Cash Flow Statement

The Cash Flow Statement is presented on a comparable basis, except for the following item:

The movement in Consumer deposits are disclosed as part of the financing activities for budget purposes while it is disclosed as part of operating activities in the financial statements.

#### Changes from the approved budget to the final budget

##### Revenue

Total adjustments are mainly as a result of the following:

- The total operating revenue increased by R7.9 million on transfers and subsidies, mainly due to the TRP housing project and the Emergency Bulk Water project.
- Some of the core service charges performed worse than was budgeted for, mainly due to NERSA approved tariffs which came after approval of the Municipal Budget. This resulted in a downward revision for the water and electricity charges.
- Further adjustments occurred on the Water service charge. This was as a result of completion of the switch on of water management devices which indicate more billable revenue. Interest earned on investment is adjusted downward to be in line with cash position and investment potential by the municipality.

##### Expenditure

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 58. Budget differences (continued)

Total adjustments are mainly as a result of the following:

- Reduction of R1.5 million for Contracted Services, as a result of an R8.9m Roads Transport grant correction and a R6 million allocation for outsourced services for the legal team appointed for the continuation of the TRP project.
- Additional R.59 million on other expenditure for the operating Disaster grant to assist households that were affected during the June 2017 fire disaster.
- Various requests were received from the departments to increase expenditure budgets.  
The following are the main expenditure items that were significantly reduced:  
Bulk purchases Eskom electricity reduced by: R 2,5 million.  
Contracted services reduced by: R 20,7 million.  
Other expenditure reduced by: R 15,94 million.  
Employee related cost were reduced by R3,583 million.  
Debt impairment was increased by R 53,784 million to cater for fines that will not be recovered as well as debt that is unlikely to be recovered.  
Adjustments were also made to expenditure items to be in line with expenditure trends and cater for invoices expected for the month of June 2020:  
Other material increase by R6 million catering for disaster assistance, fuel cost and other line items.  
Contracted services increased by R11 million. This adjustment mainly cater for provision of additional amount for water pump, electricity vending prepaid, transfer station, legal cost collections and chemical toilets.  
Employee related cost were reduced by R40 million due to positions being frozen.

### Capital budget

Total adjustments are mainly as a result of the following:

- The transfers and subsidies capital increased by R 25,6 million and mainly consists of the following projects:  
Additional 14.7 million NDGP funding for the multi purpose centre at White location.  
R6.1 million unspent portion of the Charlesford Water project funded through MIG.  
R3 million Disaster Grant funded from the Provincial department for the acquisition of Fire Trucks.
- The total increase on capital expenditure is 46,2 million and are mainly in relation to the following Directorates:  
Technical Services (R25,7 million) - various projects consisting mainly of R6.1 million for the Charlesford Water Project, R4 million for the Hornlee infill scheme project, R2 million for the Qolweni Sewer pump station, as well as R2.7 million for the CBD Pipe replacement.  
Community Services (R15.9 million) - mainly for White Location funded through NDPG, as well as the acquisition of the Fire Truck funded through a Provincial Grant.  
The COVID-19 announcement and the related regulations caused a disruption on the implementation of capital program. Changes to the Capital program were made to align cash flow and implementation time frames of the projects.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 59. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

#### Municipality as agent

##### Motor Vehicle Registrations Arrangement

As per Circular R12.1994 the executive committee of the provincial administration of the cape of good hope and the department of state expenditure grant authority that a new agency fee be paid to local authorities who have been appointed as registering authorities in the Cape province for the registration and licensing of motor vehicles in terms of the National Road Traffic Act 93 of 1996.

The municipality is the agent in this binding agreement and uses its own resources in performing the service delivery and capturing the information on the ENATIS (Electronic National Administration Traffic Information System).

Agency Fee Circular R5.2005 further states that all municipalities must perform weekly pay-over's in terms of MFMA 56 of 2003 section 64 (4).

Revenue and expenses from principal-agent transactions:

| 2020                                     | Drivers<br>licences | Vehicle<br>registrations | Total            |
|--|---------------------|--------------------------|------------------|
| Revenue received from third parties      | 1,597,168           | 19,187,809               | 20,784,977       |
| Payment to provincial traffic department | (402,829)           | (16,122,845)             | (16,525,674)     |
| Agency fee income                        | 1,194,339           | 3,064,964                | 4,259,303        |
| Depreciation                             | (1,301)             | (1,009)                  | (2,310)          |
| Employee cost                            | (1,528,316)         | (1,027,902)              | (2,556,218)      |
| General expenses                         | (45,359)            | (45,359)                 | (90,718)         |
|  | <b>(380,637)</b>    | <b>1,990,694</b>         | <b>1,610,057</b> |

  

| 2019                                     | Drivers<br>licences | Vehicle<br>registrations | Total            |
|--|---------------------|--------------------------|------------------|
| Revenue received from third parties      | 2,102,742           | 20,782,389               | 22,885,131       |
| Payment to provincial traffic department | (516,186)           | (17,485,136)             | (18,001,322)     |
| Agency fee income                        | 1,586,556           | 3,297,253                | 4,883,809        |
| Depreciation                             | (1,301)             | (1,009)                  | (2,310)          |
| Employee cost                            | (1,394,391)         | (996,745)                | (2,391,136)      |
| General expenses                         | (104,800)           | (104,800)                | (209,600)        |
|  | <b>86,064</b>       | <b>2,194,699</b>         | <b>2,280,763</b> |

#### Housing arrangements

The Department of Housing has the mandate to provide basic housing to all citizens. The Provincial Department of Housing has entered into arrangements with the municipality in order to provide housing to those in need. In terms of the Guideline: Accounting for Arrangements in respect of the National Housing Programme, each individual transaction and arrangement is carefully considered in order to ensure the correct accounting treatment. Some deliverables meet the requirements of Construction Contracts (as we are considered the principal in these deliverables) (note 22).

Fees received from the Provincial Department of Housing for registering the owner at the deeds office are considered to not be for the benefit of the municipality and is not directly accounted for as part of the construction contracts. To this extent, the municipality is regarded as the agent and expenses are accounted for on a net basis.

|                                     |           |           |
|-------------------------------------|-----------|-----------|
| Receipts from Provincial Department | 450,000   | 198,000   |
| Payments made o.b.o. beneficiaries  | (450,000) | (198,000) |
|                                     | -         | -         |

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|  | 2020<br>R | 2019<br>R |
|--|-----------|-----------|
|--|-----------|-----------|

### 59. Accounting by principals and agents (continued)

#### Municipality as the principal

##### Distribution of prepaid water and electricity

The municipality entered into an agreement with Ontech Systems (Pty) Ltd to provide the hosting, vending, data management and supplementary support services to the municipality. Ontech Systems (Pty) Ltd distributes the prepaid electricity and water (by way of vendors) to third parties and pays the revenue received over to the municipality. The company does not use any of the municipality's resources.

The fees paid to Ontech Systems (Pty) Ltd during the year was R 10,946,289.

In the event that the arrangement is terminated and the municipality decides to provide the service and not make use of a contractor, the municipality will as a minimum have to procure software, computer infrastructure and additional employees.

### 60. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

### 61. COVID-19 Response Expenditure

On 31st December 2019 the government in Wuhan, China, confirmed that health authorities were treating dozens of pneumonia cases of unknown cause. A few days later, Chinese researchers identified a new virus which had infected many people in Asia, but at that point time there was no evidence that the virus was readily spread by humans. The first death in China as a result of the virus was reported on 11th January 2020, shortly before one of China's biggest holidays whereby millions of people travelled across the country. According to the first situation report by World Health Organisation (W.H.O), the first confirmed cases outside China had occurred in Japan, South Korea and Thailand by 20th January 2020. The next day the USA reported their first confirmed case where a man in his 30s developed symptoms after returning from his trip to Wuhan, China.

A "public health emergency of international concern" was officially declared by the W.H.O. on 30th January 2020. On 11th February 2020 the W.H.O. proposed that 'Covid-19' be the official name for the disease that the coronavirus causes, an acronym that stands for coronavirus disease 2019. On 14th February 2020 France announced a death by from coronavirus. This was the fourth death from the virus outside of mainland China. On 23rd February 2020 Italian officials locked down 10 towns after a cluster of cases emerged near Milan. The World Health Organisation declared the COVID-19 outbreak as a global pandemic on 11th March 2020.

#### Covid-19 in South Africa.

Although the coronavirus was international news since December 2019, it was only on 5th March 2020 that the South African National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive. On 23rd March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30th March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

Thus, there will not be any prior year information regarding expenditure in lieu of Covid-19.

The table below indicates the total Covid-19 response expenditure for the period ending 30 June 2020.

# Knysna Municipality

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

|   | 2020<br>R        | 2019<br>R |
|---|------------------|-----------|
| <b>Summary per expense objective</b>                          |                  |           |
| General   | 245,113          | -         |
| Community and Social Services                                 | 541,325          | -         |
| Public Safety   | 787              | -         |
| Health  | 654,543          | -         |
|   | <b>1,441,768</b> | <b>-</b>  |
| <b>The above expenditure pertained to the following items</b> |                  |           |
| General   | -                | -         |
| Overtime  | 225,917          | -         |
| Travel and Subsistence  | 19,197           | -         |
| Community and Social Services                                 | -                | -         |
| Tankering of water  | 1,238            | -         |
| Feeding of Homeless / Food distribution                       | 489,652          | -         |
| Community and Awareness campaigns                             | 49,116           | -         |
| Other   | 1,319            | -         |
| Public safety   | -                | -         |
| Other   | 787              | -         |
| Health  | -                | -         |
| Goggles / face shield / Visor                                 | 6,824            | -         |
| Sanitizer   | 408,837          | -         |
| Masks   | 72,255           | -         |
| Disinfectants   | 47,656           | -         |
| Cleaning costs  | 90,484           | -         |
| Decontamination of infected premises                          | 1,110            | -         |
| Other   | 27,376           | -         |
|   | <b>1,441,768</b> | <b>-</b>  |

The above expenditure was funded by a District Municipal Disaster Recovery Grant (R 417 000), Provincial Local Government Support Grant (R 550 000) and public contributions (R 107 550). The Grants are included in note 9 . The remaining expenses was funded by the municipality's own funds.



**APPENDIX A - Unaudited  
KNYSNA MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2020**

| EXTERNAL LOANS                 | Rate   | Loan Number              | Original Loan Amount | Redeemable | Balance at 30 JUNE 2019 | Received during the period | Accrued interest  | Redeemed during the period | Balance at 30 JUNE 2020 |
|--------------------------------|--------|--------------------------|----------------------|------------|-------------------------|----------------------------|-------------------|----------------------------|-------------------------|
| <b>ANNUITY LOANS</b>           |        |                          |                      |            |                         |                            |                   |                            |                         |
| ABSA                           | 11.69% | Knysna Municipality 1    | 15,000,000           | 30/06/2028 | 5,153,277               | -                          | 5,707,488         | (721,871)                  | 10,138,895              |
| ABSA                           | 10.42% | Knysna Municipality 2    | 7,010,000            | 01/10/2028 | 5,320,233               | -                          | -178,791          | (325,790)                  | 4,815,652               |
| ABSA                           | 10.99% | Knysna Municipality 3    | 7,000,000            | 30/09/2028 | 14,247,601              | -                          | -8,888,042        | (322,400)                  | 5,037,160               |
| ABSA                           | 9.84%  | Knysna Municipality 4    | 19,579,000           | 30/06/2029 | 1,176,608               | -                          | 13,070,993        | (878,573)                  | 13,369,028              |
| ABSA                           | 9.97%  | Knysna Municipality 5    | 1,720,000            | 2022/01/31 | 8,794,760               | -                          | -7,631,899        | (340,778)                  | 822,084                 |
| ABSA                           | 10.33% | Knysna Municipality 6    | 9,680,000            | 2027/01/29 | 1,193,663               | -                          | 7,572,623         | (722,172)                  | 8,044,114               |
| DBSA                           | 9.80%  | 13770/101                | 11,339,800           | 30/06/2021 | 801,737                 | -                          | 391,926           | (596,832)                  | 596,832                 |
| DBSA                           | 10.17% | 13963/101                | 5,077,667            | 30/06/2022 | 1,452,370               | -                          | -650,634          | (267,246)                  | 534,491                 |
| DBSA                           | 10.25% | 100253/1                 | 6,898,760            | 30/06/2023 | 2,261,791               | -                          | -809,421          | (363,093)                  | 1,089,278               |
| DBSA                           | 9.80%  | 100939/1                 | 8,594,807            | 30/06/2024 | -                       | -                          | 2,261,791         | (452,358)                  | 1,809,433               |
| DBSA                           | 8.90%  | 101431/1                 | 9,380,257            | 31/12/2025 | 160,750                 | -                          | 3,048,286         | (493,698)                  | 2,715,337               |
| DBSA                           | 8.90%  | 101431/2                 | 1,500,330            | 31/12/2020 | 2,351,496               | -                          | -2,190,746        | (107,166)                  | 53,583                  |
| DBSA                           | 8.65%  | 102328/1                 | 5,386,431            | 30/06/2026 | 244,259                 | -                          | 2,107,237         | (335,928)                  | 2,015,568               |
| DBSA                           | 8.69%  | 102328/2                 | 1,741,830            | 30/06/2021 | 1,600,000               | -                          | -1,355,742        | (122,129)                  | 122,129                 |
| DBSA                           | 10.25% | 61006807                 | 8,000,000            | 29/05/2021 | 5,299,398               | -                          | -3,699,398        | (800,000)                  | 800,000                 |
| DBSA                           | 10.30% | 61006832                 | 8,245,000            | 31/12/2026 | 57,438,000              | -                          | -52,138,602       | (706,586)                  | 4,592,812               |
| DBSA                           | 9.32%  | 61007564                 | 57,438,000           | 29/06/2029 | -                       | -                          | 57,438,000        | (3,646,801)                | 53,791,199              |
| DBSA                           | 7.85%  | 61007646                 | 6,326,667            | 29/06/2025 | -                       | 6,326,667                  | -                 | -                          | 6,326,667               |
| DBSA                           | 8.20%  | 61007647                 | 65,040,391           | -          | -                       | 65,040,391                 | -                 | -                          | 65,040,391              |
| INCA                           | 7.93%  | KNYS-00-0003             | 18,607,000           | 15/02/2027 | -                       | -                          | 12,028,199        | (1,020,248)                | 11,007,951              |
| Nedbank                        | 11.05% | 05/7831030611/02         | 14,960,000           | 17/06/2020 | 10,170,925              | -                          | -7,227,660        | (2,943,265)                | -                       |
| Nedbank                        | 10.53% | 05/7831030611/03         | 12,107,000           | 2029/07/31 | 1,369,456               | -                          | 8,801,469         | (567,747)                  | 9,603,178               |
| Nedbank                        | 10.11% | 05/7831030611/04         | 2,050,000            | 2024/07/31 | 4,500,000               | -                          | -3,130,544        | (197,124)                  | 1,172,332               |
| Nedbank                        | 9.24%  | 7831030611/06            | 5,000,000            | 2023/06/30 | 19,402,883              | -                          | -14,902,883       | (1,500,000)                | 3,000,000               |
| Nedbank                        | 9.52%  | 7831030611/05            | 20,424,087           | 2028/06/30 | -                       | -                          | 19,402,883        | (3,063,613)                | 16,339,270              |
| Standard Bank                  | 10.26% | 28/186959/6              | 10,000,000           | 30/09/2020 | -                       | -                          | 2,204,014         | (1,432,199)                | 771,815                 |
| Standard Bank                  | 10.73% | 82563586                 | 2,020,000            | 2021/12/29 | 6,908,760               | -                          | -5,696,760        | (404,000)                  | 808,000                 |
| Standard Bank                  | 11.02% | 82563438                 | 8,760,950            | 2026/12/29 | 12,473,067              | -                          | -5,490,244        | (872,853)                  | 6,109,970               |
| Standard Bank                  | 11.30% | 82563616                 | 14,392,000           | 2031/12/29 | 2,799,997               | -                          | 9,673,067         | (959,464)                  | 11,513,600              |
| Standard Bank                  | 9.20%  | [LN538375] - 5yr_2018/19 | 2,800,000            | 2023/12/29 | -                       | -                          | 2,800,000         | (560,000)                  | 2,240,000               |
| <b>Total Annuity Loans</b>     |        |                          | <b>366,079,978</b>   |            | <b>165,121,032</b>      | <b>71,367,058</b>          | <b>32,516,611</b> | <b>(24,723,933)</b>        | <b>244,280,767</b>      |
| <b>LEASE LIABILITY</b>         |        |                          |                      |            |                         |                            |                   |                            |                         |
| Finance Leases                 |        |                          |                      |            | 1,316,257               | 12,285,943                 | -                 | (2,714,756)                | 10,887,444              |
| <b>Total Lease Liabilities</b> |        |                          |                      |            | <b>1,316,257</b>        | <b>12,285,943</b>          | <b>-</b>          | <b>(2,714,756)</b>         | <b>10,887,444</b>       |
| <b>TOTAL EXTERNAL LOANS</b>    |        |                          |                      |            | <b>166,437,289</b>      | <b>83,653,001</b>          | <b>32,516,611</b> | <b>(27,438,689)</b>        | <b>255,168,211</b>      |

**APPENDIX B - Unaudited**  
**KNYSNA MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

| Grant Description   | Balance<br>30 JUNE 2019<br>Previously<br>Reported | Reclassification<br>due to change<br>in accounting policy | Balance<br>30 JUNE 2019<br>Restated | Contributions<br>during the year | Operating<br>Expenditure<br>during the year<br>Transferred<br>to Revenue | Capital<br>Expenditure<br>during the year<br>Transferred<br>to Revenue | Year end<br>Adjustment | Balance<br>30 JUNE 2020 |
|---|---|---|-------------------------------------|----------------------------------|--|--|------------------------|-------------------------|
|   | R   |   |                                     | R                                | R  | R  |                        | R                       |
| <b>UNSPENT/(UNPAID) GOVERNMENT GRANTS AND RECEIPTS</b>          |   |   |                                     |                                  |  |  |                        |                         |
| Nat Grant - Equitable Share                                     | -   |   | -                                   | 86,321,000                       | -86,321,000  | -  | -                      | 0                       |
| Dist Grant - Municipal Disaster Recovery                        | -   |   | -                                   | 417,000                          | -417,000   | -  | -                      | -                       |
| Nat Grant - Integrated Electrification Program                  | 1,013,657   |   | 1,013,657                           | 4,000,000                        | -  | -5,013,657   | -                      | -                       |
| Nat Grant - Local Government Finance Management Grant           | -   |   | -                                   | 1,550,000                        | -1,550,000   | -  | -                      | -                       |
| Nat Grant - Municipal Infrastructure Grant                      | 8,458,344   |   | 8,458,344                           | 25,031,000                       | -1,251,500   | -26,165,049  | -                      | 6,072,796               |
| Nat Grant - Expanded Public Works Program (EPWP)                | -   |   | -                                   | 1,497,000                        | -1,497,000   | -  | -                      | -                       |
| Nat Grant - Neighbourhood Development Partnership Grant (NDPG)  | 14,702,657  |   | 14,702,657                          | 20,000,000                       | -  | -19,590,016  | -14,666,000            | 446,641                 |
| Nat Grant - Energy Efficiency and Demand Side Management Grant  | 56,884  |   | 56,884                              | -                                | -  | -  | -                      | 56,884                  |
| Prov Grant - Community Development Worker (Operat)              | -   |   | -                                   | 112,000                          | -75,750  | -  | -                      | 36,250                  |
| Prov Grant - Library  | -   |   | -                                   | 9,415,918                        | -8,866,930   | -309,718   | -                      | 239,270                 |
| Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg) | -30,775,925                                       | 16,384,629  | -14,391,296                         | 10,985,098                       | 0  | -10,806,693  | -                      | -14,212,891             |
| Prov Grant - Financial Management Grant (WC FMG)                | 110,785   |   | 110,785                             | 379,000                          | -18,330  | -  | -                      | 471,455                 |
| Prov Grant - Main Roads Subsidy                                 | -85,054   |   | -85,054                             | -                                | -  | -  | -                      | -85,054                 |
| Prov Grant - Disaster Management                                | 3,597,981   |   | 3,597,981                           | -                                | -2,486,419   | -  | -                      | 1,111,562               |
| Prov Grant - Other  | 771,464   |   | 771,464                             | 2,104,000                        | -1,614,000   | -  | -771,464               | 490,000                 |
| <b>Total</b>  | <b>(2,149,206)</b>                                | <b>16,384,629</b>   | <b>14,235,423</b>                   | <b>161,812,015</b>               | <b>(104,097,929)</b>   | <b>(61,885,133)</b>  | <b>(15,437,464)</b>    | <b>(5,373,087)</b>      |
| <b>CONSTRUCTION CONTRACTS AND RECIEVABLES</b>                   |   |   |                                     |                                  |  |  |                        |                         |
| Prov Grant - Integrated Housing & Human Settlement (LocGov&Hsg) | -   | (16,384,629)  | (16,384,629)                        | 59,218,222                       | (62,913,747)   | -  | -                      | (20,080,154)            |
| <b>Grand Total</b>  | <b>(2,149,206)</b>                                | <b>-</b>  | <b>(2,149,206)</b>                  | <b>221,030,237</b>               | <b>(167,011,676)</b>   | <b>(61,885,133)</b>  | <b>(15,437,464)</b>    | <b>(25,453,242)</b>     |

**Appendix C - Unaudited**  
**Knysna Municipality**  
**National Treasury Appropriation Statements for the year ended 30 June 20**  
**Revenue and Expenditure (Standard Classification)**

| Description                                | 2019/2020        |   |                          |                |   |                                     |  | 2018/2019                |
|--|------------------|---|--------------------------|----------------|---|-------------------------------------|--|--------------------------|
|  | Original Budget  | Budget Adjustments<br>(i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| <b>R,000</b>                               |                  |   |                          |                |   |                                     |  |                          |
| <b>Revenue - Standard</b>                  |                  |   |                          |                |   |                                     |  |                          |
| <i>Governance and administration</i>       | <b>274,909</b>   | <b>7,932</b>                            | <b>282,841</b>           | <b>263,335</b> | <b>-19,506</b>  | <b>93%</b>                          | <b>96%</b>                             | <b>262,539</b>           |
| Executive and council                      | 16,192           | -5,131                                  | 11,061                   | 10,174         | -887  | 92%                                 | 63%                                    | 12,605                   |
| Finance and administration                 | 258,717          | 13,063                                  | 271,780                  | 253,161        | -18,619   | 93%                                 | 98%                                    | 249,934                  |
| Internal audit                             | -                | -                                       | -                        | -              | -   | -                                   | -                                      | -                        |
| <i>Community and public safety</i>         | <b>173,699</b>   | <b>31,915</b>                           | <b>205,614</b>           | <b>177,283</b> | <b>-28,331</b>  | <b>86%</b>                          | <b>102%</b>                            | <b>190,673</b>           |
| Community and social services              | 15,348           | -3,645                                  | 11,703                   | 11,082         | -621  | 95%                                 | 72%                                    | 19,136                   |
| Sport and recreation                       | 1,627            | 1                                       | 1,628                    | 1,488          | -140  | 91%                                 | 91%                                    | 2,835                    |
| Public safety                              | 84,783           | 37,356                                  | 122,139                  | 91,676         | -30,463   | 75%                                 | 108%                                   | 118,092                  |
| Housing                                    | 71,941           | -1,797                                  | 70,144                   | 73,037         | 2,893   | 104%                                | 102%                                   | 50,610                   |
| Health                                     | -                | -                                       | -                        | -              | -   | -                                   | -                                      | -                        |
| <i>Economic and environmental services</i> | <b>9,943</b>     | <b>1,518</b>                            | <b>11,461</b>            | <b>8,321</b>   | <b>-3,140</b>   | <b>73%</b>                          | <b>84%</b>                             | <b>9,604</b>             |
| Planning and development                   | 4,546            | 1,518                                   | 6,064                    | 3,562          | -2,502  | 59%                                 | 78%                                    | 4,633                    |
| Road transport                             | 5,397            | -                                       | 5,397                    | 4,759          | -638  | 88%                                 | 88%                                    | 4,971                    |
| Environmental protection                   | -                | -                                       | -                        | -              | -   | -                                   | -                                      | -                        |
| <i>Trading services</i>                    | <b>559,089</b>   | <b>-3,167</b>                           | <b>555,922</b>           | <b>494,090</b> | <b>-61,832</b>  | <b>89%</b>                          | <b>88%</b>                             | <b>472,118</b>           |
| Energy sources                             | 305,070          | -17,742                                 | 287,328                  | 275,818        | -11,510   | 96%                                 | 90%                                    | 280,158                  |
| Water management                           | 121,021          | 2,999                                   | 124,020                  | 115,697        | -8,323  | 93%                                 | 96%                                    | 104,543                  |
| Waste water management                     | 80,060           | 11,567                                  | 91,627                   | 57,915         | -33,712   | 63%                                 | 72%                                    | 47,717                   |
| Waste management                           | 52,938           | 9                                       | 52,947                   | 44,660         | -8,287  | 84%                                 | 84%                                    | 39,700                   |
| <i>Other</i>                               | <b>-</b>         | <b>-</b>                                | <b>-</b>                 | <b>-</b>       | <b>-</b>  | <b>-</b>                            | <b>-</b>                               | <b>-</b>                 |
| <b>Total Revenue - Standard</b>            | <b>1,017,640</b> | <b>38,198</b>                           | <b>1,055,838</b>         | <b>943,029</b> | <b>-112,809</b>                                       | <b>89%</b>                          | <b>93%</b>                             | <b>934,934</b>           |
| <b>Expenditure - Standard</b>              |                  |   |                          |                |   |                                     |  |                          |
| <i>Governance and administration</i>       | <b>182,487</b>   | <b>-4,732</b>                           | <b>177,755</b>           | <b>173,749</b> | <b>-4,006</b>   | <b>98%</b>                          | <b>95%</b>                             | <b>178,524</b>           |
| Executive and council                      | 33,110           | -3,260                                  | 29,850                   | 21,165         | -8,685  | 71%                                 | 64%                                    | 26,738                   |
| Finance and administration                 | 144,319          | -1,204                                  | 143,115                  | 152,585        | 9,470   | 107%                                | 106%                                   | 151,786                  |
| Internal audit                             | 5,058            | -268                                    | 4,790                    | -              | -4,790  | 0%                                  | 0%                                     | -                        |
| <i>Community and public safety</i>         | <b>257,501</b>   | <b>5,973</b>                            | <b>263,474</b>           | <b>268,453</b> | <b>4,979</b>  | <b>102%</b>                         | <b>104%</b>                            | <b>260,817</b>           |
| Community and social services              | 37,241           | -15,878                                 | 21,363                   | 23,155         | 1,792   | 108%                                | 62%                                    | 25,703                   |
| Sport and recreation                       | 22,842           | -4,140                                  | 18,702                   | 18,654         | -48   | 100%                                | 82%                                    | 17,166                   |
| Public safety                              | 122,512          | 27,822                                  | 150,334                  | 143,426        | -6,908  | 95%                                 | 117%                                   | 157,251                  |
| Housing                                    | 74,906           | -1,831                                  | 73,075                   | 77,480         | 4,405   | 106%                                | 103%                                   | 55,116                   |
| Health                                     | -                | -                                       | -                        | 5,737          | 5,737   | 0%                                  | 0%                                     | 5,581                    |
| <i>Economic and environmental services</i> | <b>115,191</b>   | <b>-14,228</b>                          | <b>100,963</b>           | <b>78,559</b>  | <b>-22,404</b>  | <b>78%</b>                          | <b>68%</b>                             | <b>77,518</b>            |
| Planning and development                   | 34,124           | -844                                    | 33,280                   | 20,259         | -13,021   | 61%                                 | 59%                                    | 18,606                   |
| Road transport                             | 70,498           | -10,793                                 | 59,705                   | 53,704         | -6,001  | 90%                                 | 76%                                    | 54,507                   |
| Environmental protection                   | 10,569           | -2,591                                  | 7,978                    | 4,596          | -3,382  | 58%                                 | 43%                                    | 4,405                    |
| <i>Trading services</i>                    | <b>409,731</b>   | <b>8,721</b>                            | <b>418,452</b>           | <b>389,871</b> | <b>-28,581</b>  | <b>93%</b>                          | <b>95%</b>                             | <b>367,041</b>           |
| Energy sources                             | 246,337          | -6,496                                  | 239,841                  | 234,146        | -5,695  | 98%                                 | 95%                                    | 209,764                  |
| Water management                           | 39,015           | 24,650                                  | 63,665                   | 72,949         | 9,284   | 115%                                | 187%                                   | 72,316                   |
| Waste water management                     | 69,378           | 1,045                                   | 70,423                   | 40,190         | -30,233   | 57%                                 | 58%                                    | 51,215                   |
| Waste management                           | 55,001           | -10,478                                 | 44,523                   | 42,586         | -1,937  | 96%                                 | 77%                                    | 33,746                   |
| <i>Other</i>                               | <b>-</b>         | <b>-</b>                                | <b>-</b>                 | <b>-</b>       | <b>0</b>  | <b>-</b>                            | <b>-</b>                               | <b>-</b>                 |
| <b>Total Expenditure - Standard</b>        | <b>964,910</b>   | <b>-4,266</b>                           | <b>960,644</b>           | <b>910,632</b> | <b>-50,012</b>  | <b>95%</b>                          | <b>94%</b>                             | <b>883,900</b>           |
| <b>Surplus for the year</b>                | <b>52,730</b>    | <b>42,464</b>                           | <b>95,194</b>            | <b>32,397</b>  | <b>-62,797</b>  | <b>34%</b>                          | <b>61%</b>                             | <b>51,034</b>            |

**Appendix C - Unaudited  
Knysna Municipality  
National Treasury Appropriation Statements for the year ended 30 June 2020  
Revenue and Expenditure (Municipal Vote Classification)**

| Description<br><br>R,000                      | 2019/2020        |                                      |                          |                |   |                                     |  | 2018/2019                |
|---|------------------|--------------------------------------|--------------------------|----------------|---|-------------------------------------|--|--------------------------|
|   | Original Budget  | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| <b>Revenue by Vote</b>                        |                  |                                      |                          |                |   |                                     |  |                          |
| Vote 1 - Executive and Council                | 16,192           | -5,131                               | 11,061                   | 10,174         | -887  | 92%                                 | 63%                                    | 12,606                   |
| Vote 2 - Corporate Services                   | 3,222            | 6,446                                | 9,668                    | 4,270          | -5,398  | 44%                                 | 133%                                   | 4,003                    |
| Vote 3 - Financial Services                   | 245,474          | -3,510                               | 241,964                  | 227,966        | -13,998   | 94%                                 | 93%                                    | 236,909                  |
| Vote 4 - Strategic Services                   | -                | 0                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 5 - Planning and Development             | 85,236           | 9,714                                | 94,950                   | 96,189         | 1,239   | 101%                                | 113%                                   | 63,586                   |
| Vote 6 - Community Services                   | 159,371          | 33,840                               | 193,211                  | 153,238        | -39,973   | 79%                                 | 96%                                    | 185,351                  |
| Vote 7 - Electrical Services                  | 305,070          | -17,734                              | 287,336                  | 275,689        | -11,647   | 96%                                 | 90%                                    | 280,189                  |
| Vote 8 - Technical Services                   | 203,075          | 14,573                               | 217,648                  | 174,032        | -43,616   | 80%                                 | 86%                                    | 152,292                  |
| <b>Total Revenue by Vote</b>                  | <b>1,017,640</b> | <b>38,198</b>                        | <b>1,055,838</b>         | <b>941,556</b> | <b>-114,282</b>                                       | <b>89%</b>                          | <b>93%</b>                             | <b>934,935</b>           |
| <b>Expenditure by Vote to be appropriated</b> |                  |                                      |                          |                |   |                                     |  |                          |
| Vote 1 - Executive and Council                | 41,102           | -3,789                               | 37,313                   | 21,034         | -16,279   | 56%                                 | 51%                                    | 26,738                   |
| Vote 2 - Corporate Services                   | 44,314           | -2,321                               | 41,993                   | 37,839         | -4,154  | 90%                                 | 85%                                    | 40,331                   |
| Vote 3 - Financial Services                   | 78,080           | 6,311                                | 84,391                   | 79,234         | -5,157  | 94%                                 | 101%                                   | 81,364                   |
| Vote 4 - Strategic Services                   | -                | 0                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 5 - Planning and Development             | 111,355          | -5,643                               | 105,712                  | 104,563        | -1,149  | 99%                                 | 94%                                    | 84,873                   |
| Vote 6 - Community Services                   | 247,088          | -2,177                               | 244,911                  | 242,312        | -2,599  | 99%                                 | 98%                                    | 249,426                  |
| Vote 7 - Electrical Services                  | 251,193          | -8,727                               | 242,466                  | 243,548        | 1,082   | 100%                                | 97%                                    | 213,035                  |
| Vote 8 - Technical Services                   | 191,778          | 12,077                               | 203,855                  | 180,629        | -23,226   | 89%                                 | 94%                                    | 188,134                  |
| <b>Total Expenditure by Vote</b>              | <b>964,910</b>   | <b>-4,269</b>                        | <b>960,641</b>           | <b>909,159</b> | <b>-51,482</b>  | <b>95%</b>                          | <b>94%</b>                             | <b>883,901</b>           |
| <b>Surplus for the year</b>                   | <b>52,730</b>    | <b>42,467</b>                        | <b>95,197</b>            | <b>32,397</b>  | <b>-62,800</b>  | <b>34%</b>                          | <b>61%</b>                             | <b>51,034</b>            |

**Appendix C - Unaudited**  
**Knysna Municipality**  
**National Treasury Appropriation Statements for the year ended 30 June 2020**  
**Revenue and Expenditure**

| Description  | 2019/2020       |                                      |  |                |   |                                     |  | 2018/2019                |
|--|-----------------|--------------------------------------|--|----------------|---|-------------------------------------|--|--------------------------|
|  | Original Budget | Budget Adjustments (i.i.o. MFMA s28) | Final adjustments budget after virements | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| <b>R,000</b>   |                 |                                      |  |                |   |                                     |  |                          |
| <b>Revenue By Source</b>   |                 |                                      |  |                |   |                                     |  |                          |
| Property rates   | 228,833         | 446                                  | 229,279                                  | 211,839        | -17,440   | 92%                                 | 93%                                    | 215,549                  |
| Service charges  | 438,612         | -10,950                              | 427,662                                  | 373,989        | -53,673   | 87%                                 | 85%                                    | 366,946                  |
| Rental of facilities and   | 5,441           | 15                                   | 5,456                                    | 5,820          | 364   | 107%                                | 107%                                   | 5,601                    |
| Interest earned - external   | 9,000           | -4,590                               | 4,410                                    | 4,687          | 277   | 106%                                | 52%                                    | 9,443                    |
| Interest earned - outside  | 11,257          | -                                    | 11,257                                   | 9,658          | -1,599  | 86%                                 | 86%                                    | 11,838                   |
| Dividends received   | -               | -                                    | -  | -              | -   | -                                   | -                                      | -                        |
| Fines, penalties and fees  | 88,426          | 32,001                               | 120,427                                  | 94,152         | -26,275   | 78%                                 | 106%                                   | 121,654                  |
| Licences and permits   | 1,664           | -                                    | 1,664                                    | 1,194          | -470  | 72%                                 | 72%                                    | 1,587                    |
| Agency services  | 3,000           | -                                    | 3,000                                    | 3,065          | 65  | 102%                                | 102%                                   | 3,297                    |
| Transfers recognised   | 167,300         | 6,733                                | 174,033                                  | 104,098        | -69,935   | 60%                                 | 62%                                    | 137,294                  |
| Other revenue  | 7,978           | 2,258                                | 10,236                                   | 71,168         | 60,932  | 695%                                | 892%                                   | 11,870                   |
| Gains on disposal of P   | 6,000           | -                                    | 1,978                                    | -              | -1,978  | -                                   | -                                      | -                        |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>967,511</b>  | <b>21,891</b>                        | <b>989,402</b>                           | <b>879,671</b> | <b>-109,731</b>                                       | <b>89%</b>                          | <b>91%</b>                             | <b>885,078</b>           |
| <b>Expenditure By Type</b>   |                 |                                      |  |                |   |                                     |  |                          |
| Employee related costs   | -290,474        | 43,532                               | -246,942                                 | 248,691        | 495,633   | -101%                               | -86%                                   | 236,178                  |
| Remuneration of council  | -9,982          | -263                                 | -10,245                                  | 8,108          | 18,353  | -79%                                | -81%                                   | 8,570                    |
| Debt impairment  | -81,023         | -53,784                              | -134,807                                 | 74,942         | 209,749   | -56%                                | -92%                                   | 117,797                  |
| Depreciation & asset   | -33,424         | 0                                    | -33,424                                  | 34,100         | 67,524  | -102%                               | -102%                                  | 32,865                   |
| Finance charges  | -31,268         | -12                                  | -31,280                                  | 29,452         | 60,732  | -94%                                | -94%                                   | 26,092                   |
| Bulk purchases   | -195,795        | 500                                  | -195,295                                 | 188,257        | 383,552   | -96%                                | -96%                                   | 169,553                  |
| Other materials  | -26,714         | -9,279                               | -35,993                                  | 40,617         | 76,610  | -113%                               | -152%                                  | 43,090                   |
| Contracted services  | -209,293        | 11,222                               | -198,071                                 | 188,539        | 386,610   | -95%                                | -90%                                   | 177,701                  |
| Transfers and subsidies  | -4,317          | -2,280                               | -6,597                                   | 2,412          | 9,009   | -37%                                | -56%                                   | 4,151                    |
| Other expenditure  | -82,620         | 14,632                               | -67,988                                  | 94,041         | 162,029   | -138%                               | -114%                                  | 67,905                   |
| Loss on disposal of P  | -               | -                                    | -  | -              | -   | -                                   | -                                      | -                        |
| <b>Total Expenditure</b>   | <b>-964,910</b> | <b>4,268</b>                         | <b>-960,642</b>                          | <b>909,159</b> | <b>1,869,801</b>                                      | <b>-95%</b>                         | <b>206%</b>                            | <b>883,901</b>           |
| <b>Surplus/(Deficit)</b>   | <b>2,601</b>    | <b>26,159</b>                        | <b>28,760</b>                            | <b>-29,488</b> | <b>-58,248</b>  | <b>-103%</b>                        | <b>-1134%</b>                          | <b>1,177</b>             |
| Transfers recognised   | 50,129          | 20,593                               | 66,437                                   | 61,885         | -4,552  | 93.1%                               | 123.5%                                 | 49,857                   |
| Contributions recognised   | -               | -                                    | -  | -              | -   | -                                   | -                                      | -                        |
| Contributed assets   | -               | -                                    | -  | -              | -   | -                                   | -                                      | -                        |
| <b>Surplus for the year</b>  | <b>52,730</b>   | <b>46,753</b>                        | <b>95,197</b>                            | <b>32,397</b>  | <b>-62,800</b>  | <b>34.0%</b>                        | <b>-193.8%</b>                         | <b>51,034</b>            |

**Appendix C - Unaudited**  
**Knysna Municipality**  
**National Treasury Appropriation Statements for the year ended 30 June 2020**  
**Capital Expenditure by Vote, Standard Classification and Funding**

| Description                                 | 2019/2020       |                                      |                          |                |   |                                     |  | 2018/2019                |
|---|-----------------|--------------------------------------|--------------------------|----------------|---|-------------------------------------|--|--------------------------|
|   | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| <b>R,000</b>                                |                 |                                      |                          |                |   |                                     |  |                          |
| <b>Capital expenditure - Vote</b>           |                 |                                      |                          |                |   |                                     |  |                          |
| <b>Multi-year expenditure</b>               |                 |                                      |                          |                |   |                                     |  |                          |
| Vote 1 - Executive and Council              | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 2 - Corporate Services                 | 0               | 0                                    | 0                        | -              | -   | -                                   | -                                      | -                        |
| Vote 3 - Financial Services                 | 150             | -150                                 | 0                        | -              | -   | 0%                                  | 0%                                     | 309                      |
| Vote 4 - Strategic Services                 | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 5 - Planning and Development           | 500.00          | -500                                 | 0                        | -              | -   | 0%                                  | -                                      | 5,095                    |
| Vote 6 - Community Services                 | 4,367           | -3,995                               | 372                      | 12,658         | 12,286  | 3403%                               | 290%                                   | 14,811                   |
| Vote 7 - Electrical Services                | 23,939          | -13,336                              | 10,603                   | 5,632          | -4,971  | 53%                                 | 24%                                    | 13,980                   |
| Vote 8 - Technical Services                 | 97,831          | -14,214                              | 83,617                   | 60,264         | -23,353   | 72%                                 | 62%                                    | 69,533                   |
| Vote 9 - Community & Social Services        | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 10 - Sport & Recreation                | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 11 - Public Safety                     | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 12 - Electricity                       | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 13 - Waste Management                  | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 14 - Water                             | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 15 - Other                             | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| <b>Capital multi-year expenditure</b>       | <b>126,787</b>  | <b>-32,195</b>                       | <b>94,592</b>            | <b>78,554</b>  | <b>-16,038</b>  | <b>83%</b>                          | <b>62%</b>                             | <b>103,727</b>           |
| <b>Single-year expenditure</b>              |                 |                                      |                          |                |   |                                     |  |                          |
| Vote 1 - Executive and Council              | 200.00          | 2,152                                | 2,352                    | 725            | -1,627  | 31%                                 | -                                      | 1,863                    |
| Vote 2 - Corporate Services                 | 4,970           | -4,179                               | 791                      | 644            | -147  | 81%                                 | 13%                                    | 91                       |
| Vote 3 - Financial Services                 | 3,160           | -2,740                               | 420                      | 217            | -203  | 52%                                 | 7%                                     | 1,760                    |
| Vote 4 - Strategic Services                 | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 5 - Planning and Development           | 11,850          | -644                                 | 11,206                   | 11,248         | 42  | 100%                                | 95%                                    | 4,062                    |
| Vote 6 - Community Services                 | 19,206          | 6,220                                | 25,426                   | 21,041         | -4,385  | 83%                                 | 110%                                   | 14,924                   |
| Vote 7 - Electrical Services                | 16,418          | -4,000                               | 12,418                   | 10,613         | -1,805  | 85%                                 | 65%                                    | 11,277                   |
| Vote 8 - Technical Services                 | 34,984          | 4,700                                | 39,684                   | 25,623         | -14,061   | 65%                                 | 73%                                    | 11,961                   |
| Vote 9 - Community & Social Services        | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 10 - Sport & Recreation                | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 11 - Public Safety                     | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 12 - Electricity                       | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 13 - Waste Management                  | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 14 - Water                             | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Vote 15 - Other                             | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| <b>Capital single-year expenditure</b>      | <b>90,788</b>   | <b>1,509</b>                         | <b>92,297</b>            | <b>70,111</b>  | <b>-22,186</b>  | <b>76%</b>                          | <b>77%</b>                             | <b>45,939</b>            |
| <b>Total Capital Expenditure - Vote</b>     | <b>217,575</b>  | <b>-30,686</b>                       | <b>186,889</b>           | <b>148,665</b> | <b>-38,224</b>  | <b>80%</b>                          | <b>68%</b>                             | <b>149,666</b>           |
| <b>Capital Expenditure - Standard</b>       |                 |                                      |                          |                |   |                                     |  |                          |
| <b>Governance and administration</b>        | <b>9,690</b>    | <b>-5,865</b>                        | <b>3,825</b>             | <b>2,836</b>   | <b>-989</b>   | <b>74%</b>                          | <b>29%</b>                             | <b>5,416</b>             |
| Executive and council                       | 200             | 2,152                                | 2,352                    | 725            | -1,627  | 31%                                 | -                                      | 1,863                    |
| Finance administration                      | 9,490           | -8,017                               | 1,473                    | 2,111          | 638   | 143%                                | 22%                                    | 3,553                    |
| Internal audit                              | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| <b>Community and public safety</b>          | <b>30,063</b>   | <b>3,734</b>                         | <b>33,797</b>            | <b>32,008</b>  | <b>-1,789</b>   | <b>95%</b>                          | <b>106%</b>                            | <b>32,701</b>            |
| Community and social services               | 11,896          | 7,022                                | 18,918                   | 17,834         | -1,084  | 94%                                 | 150%                                   | 18,460                   |
| Sport and recreation                        | 4,517           | -3,942                               | 575                      | 715            | 140   | 124%                                | 16%                                    | 3,637                    |
| Public safety                               | 1,300           | 1,798                                | 3,098                    | 2,210          | -888  | 71%                                 | 170%                                   | 1,453                    |
| Housing                                     | 12,350          | -1,144                               | 11,206                   | 11,249         | 43  | 100%                                | 91%                                    | 9,151                    |
| Health                                      | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| <b>Economic and environmental services</b>  | <b>35,399</b>   | <b>-15,259</b>                       | <b>20,140</b>            | <b>11,699</b>  | <b>-8,441</b>   | <b>58%</b>                          | <b>33%</b>                             | <b>2,773</b>             |
| Planning and development                    | 1,200           | -                                    | 1,200                    | -              | -1,200  | -                                   | 0%                                     | -                        |
| Road transport                              | 34,199          | -15,259                              | 18,940                   | 11,699         | -7,241  | 62%                                 | 34%                                    | 2,773                    |
| Environmental protection                    | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| <b>Trading services</b>                     | <b>142,423</b>  | <b>-13,296</b>                       | <b>129,127</b>           | <b>102,122</b> | <b>-27,005</b>  | <b>79%</b>                          | <b>72%</b>                             | <b>108,776</b>           |
| Energy sources                              | 40,357          | -17,336                              | 23,021                   | 16,245         | -6,776  | 71%                                 | 40%                                    | 25,257                   |
| Water management                            | 67,231          | 12,660                               | 79,891                   | 62,803         | -17,088   | 79%                                 | 93%                                    | 57,834                   |
| Waste water management                      | 30,885          | -7,465                               | 23,420                   | 10,438         | -12,982   | 45%                                 | 34%                                    | 22,481                   |
| Waste management                            | 3,950           | -1,155                               | 2,795                    | 12,636         | 9,841   | 452%                                | 320%                                   | 3,205                    |
| <b>Other</b>                                | <b>-</b>        | <b>-</b>                             | <b>-</b>                 | <b>-</b>       | <b>-</b>  | <b>-</b>                            | <b>-</b>                               | <b>-</b>                 |
| <b>Total Capital Expenditure - Standard</b> | <b>217,575</b>  | <b>-30,686</b>                       | <b>186,889</b>           | <b>148,665</b> | <b>-38,224</b>  | <b>80%</b>                          | <b>68%</b>                             | <b>149,666</b>           |
| <b>Funded by:</b>                           |                 |                                      |                          |                |   |                                     |  |                          |
| National Government                         | 41,168          | 7,745                                | 48,913                   | 44,644         | -4,269  | 91%                                 | 108%                                   | 35,732                   |
| Provincial Government                       | 12,350          | 2,455                                | 14,805                   | 13,765         | -1,040  | 93%                                 | 111%                                   | 16,848                   |
| District Municipality                       | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| Other transfers and grants                  | -               | -                                    | -                        | -              | -   | -                                   | -                                      | -                        |
| <b>Transfers recognised - capital</b>       | <b>53,518</b>   | <b>10,200</b>                        | <b>63,718</b>            | <b>58,409</b>  | <b>-5,309</b>   | <b>92%</b>                          | <b>109%</b>                            | <b>52,580</b>            |
| Public contributions & donations            | -               | -                                    | -                        | 21             | 21  | -                                   | -                                      | 1,160                    |
| <b>Borrowing</b>                            | <b>71,367</b>   | <b>-9,610</b>                        | <b>61,757</b>            | <b>49,359</b>  | <b>-12,398</b>  | <b>80%</b>                          | <b>69%</b>                             | <b>49,950</b>            |
| <b>Internally generated funds</b>           | <b>92,690</b>   | <b>-31,276</b>                       | <b>61,414</b>            | <b>40,876</b>  | <b>-20,538</b>  | <b>67%</b>                          | <b>44%</b>                             | <b>45,977</b>            |
| <b>Total Capital Funding</b>                | <b>217,575</b>  | <b>-30,686</b>                       | <b>186,889</b>           | <b>148,665</b> | <b>-38,224</b>  | <b>80%</b>                          | <b>68%</b>                             | <b>149,667</b>           |

**Appendix C - Unaudited  
Knysna Municipality  
National Treasury Appropriation Statements for the year ended 30 June 20  
Cash Flows**

| Description<br><br>R,000                          | 2019/2020       |                                      |                          |                 |   |                                     |  | 2018/2019                |
|---|-----------------|--------------------------------------|--------------------------|-----------------|---|-------------------------------------|--|--------------------------|
|   | Original Budget | Budget Adjustments (i.t.o. MFMA s28) | Final adjustments budget | Actual Outcome  | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>        |                 |                                      |                          |                 |   |                                     |  |                          |
| <b>Receipts</b>                                   |                 |                                      |                          |                 |   |                                     |  |                          |
| Ratepayers and other                              | 691,943         | -56,236                              | 635,707                  | 589,248         | -46,459   | 92.69%                              | 85.16%                                 | 582,880                  |
| Government  | 217,429         | 33,041                               | 250,470                  | 205,593         | -44,877   | 82.08%                              | 94.56%                                 | 193,627                  |
| Interest  | 23,531          | - 6,018.00                           | 17,513                   | 4,687           | -12,826   | 26.76%                              | 19.92%                                 | 9,443                    |
| <b>Payments</b>                                   |                 |                                      |                          |                 |   |                                     |  |                          |
| Suppliers and employees                           | -803,063        | 22,559                               | -780,504                 | -706,021        | 74,483  | 90.46%                              | 87.92%                                 | -666,241                 |
| Finance charges                                   | -31,268         | 9,858                                | -21,410                  | -18,735         | 2,675   | 87.51%                              | 59.92%                                 | -15,422                  |
| Transfers and Grants                              | -4,317          | -2,280                               | -6,597                   | -2,412          | 4,185   | 36.56%                              | 55.87%                                 | -4,151                   |
| <b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>  | <b>94,255</b>   | <b>924</b>                           | <b>95,179</b>            | <b>72,360</b>   | <b>-22,819</b>  | <b>76.03%</b>                       | <b>76.77%</b>                          | <b>100,136</b>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |                 |                                      |                          |                 |   |                                     |  |                          |
| <b>Receipts</b>                                   |                 |                                      |                          |                 |   |                                     |  |                          |
| Proceeds on disposal of PPE                       | 6,000           | - 4,022.00                           | 1,978.00                 | 3,672.00        | 1,694   | 185.64%                             | 61.20%                                 | 30.00                    |
| Decrease (Increase) in non-current debtors        | -               | -                                    | -                        | -               | -   | 0.00%                               | 0.00%                                  | -                        |
| Decrease (increase) other non-current receivables | -               | -                                    | -                        | -               | -   | 0.00%                               | 0.00%                                  | -                        |
| Decrease (increase) in non-current investments    | -               | -                                    | -                        | 23,684          | 23,684  | 0.00%                               | 0.00%                                  | -2,133                   |
| <b>Payments</b>                                   |                 |                                      |                          |                 |   |                                     |  |                          |
| Capital assets                                    | -200,798        | 15,415                               | -185,383                 | -136,359        | 49,024  | 73.56%                              | 67.91%                                 | -148,506                 |
| <b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>  | <b>-194,798</b> | <b>11,393</b>                        | <b>-183,405</b>          | <b>-109,003</b> | <b>74,402</b>   | <b>93.82%</b>                       | <b>55.96%</b>                          | <b>-150,609</b>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |                 |                                      |                          |                 |   |                                     |  |                          |
| <b>Receipts</b>                                   |                 |                                      |                          |                 |   |                                     |  |                          |
| Borrowing long term/refinancing                   | 71,367          | -9,610                               | 61,757                   | 71,367          | 9,610   | 115.56%                             | 100.00%                                | 60,238                   |
| Increase (decrease) in consumer deposits          | 844             | -300                                 | 544                      | 239             | -305  | 43.93%                              | 28.32%                                 | 536                      |
| <b>Payments</b>                                   |                 |                                      |                          |                 |   |                                     |  |                          |
| Repayment of borrowing                            | -24,397         | 0                                    | -24,397                  | -27,379         | -2,982  | 112.22%                             | 112.22%                                | -18,469                  |
| <b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>  | <b>47,814</b>   | <b>-9,910</b>                        | <b>37,904</b>            | <b>44,227</b>   | <b>6,323</b>  | <b>116.68%</b>                      | <b>92.50%</b>                          | <b>42,305</b>            |
| <b>NET INCREASE/ (DECREASE) IN CASH HELD</b>      | <b>-52,729</b>  | <b>2,407</b>                         | <b>-50,322</b>           | <b>7,584</b>    | <b>57,906</b>   | <b>-15.07%</b>                      | <b>-14.38%</b>                         | <b>-8,168</b>            |
| Cash/cash equivalents at the year begin:          | 77,239          | 22,197                               | 99,436                   | 71,709          | - 27,727.00   | 72.12%                              | 92.84%                                 | 79,877                   |
| Cash/cash equivalents at the year end:            | 24,509          | 24,604                               | 49,113                   | 79,293          | 30,180  | 161.45%                             | 323.53%                                | 71,709                   |